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INCORPORATED ACCOUNTANTS' HALL,
VICTORIA EMBANKMENT, LONDON, W.C.2.

The Society of Incorporated Accountants and Auditors (A.D. 1885).

EXAMINATIONS.

FINAL EXAMINATION will be held on May 2nd, 3rd and 4th, 1939, in the following subjects:—Advanced Accounting, including Accounts of Partners and Executors and Income Tax; Auditing and the General Duties of Professional Accountants including Income Tax; Costing Accounts; Statistical Methods; General Knowledge in regard to Commerce and Finance; the Law relating to Joint Stock Companies and Bankruptcy; Mercantile Law, including Partnership Law; the Powers and Duties of Liquidators, Trustees, Executors and Receivers; and Economics.

INTERMEDIATE EXAMINATION will be held on May 3rd and 4th, 1939, in the following subjects:—Book-keeping and Accounts, including Income Tax; Book-keeping and Accounts, including Partnership and Executorship Accounts; General Commercial Knowledge; Cost Accounts; Commercial Law; the Powers and Duties of Liquidators, Trustees, Executors and Receivers.

PRELIMINARY EXAMINATION will be held on May 1st and 2nd, 1939, in the following subjects:—**ENGLISH**, comprising: (a) One Paper on General Knowledge, including the main outlines of Modern English History from Norman Period to the present time, and General Geography; (b) An Essay; (c) General Questions testing knowledge and command of English and English Literature. **ONE FOREIGN LANGUAGE**, comprising: French, German, Spanish, or Latin (to be selected by the Candidate). **MATHEMATICS** comprising Arithmetic, Algebra, and Geometry. (Candidates wishing to be examined in Spanish must give six weeks' notice to the Secretary.)

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The last date for receiving applications is March 28th, 1939

Incorporated Accountants' Hall,
Victoria Embankment, London, W.C.2.

A. A. GARRETT,
Secretary

NOTE:—Complete sets of past Examination Papers may be obtained of the Secretary, price 1s. per set.

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ACCOUNTANCY

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PROFESSIONAL NOTES

In New Guise.

With this issue ACCOUNTANCY makes it bow. We now commend ourselves to our readers, asking them to remember that the aim of ACCOUNTANCY is to preserve the traditions of the *Incorporated Accountants' Journal* while introducing new features of a more general appeal. As this issue will show, the leading articles have been very considerably expanded and the range of subjects covered has been amplified. Are we unduly introspective in believing that these leading articles set up an original fashion in accountancy literature? An entirely new feature of the paper is the taxation section, which will normally consist of a taxation article, notes and reviews of tax cases in the Courts. This feature is introduced in the belief that taxation is perhaps the most important aspect of the work of the modern practising accountant and therefore demands special consideration in a publication of this sort. Legal notes have been expanded; "Points from Published Accounts," "The Month in Finance" and "Current Statistics" appear for the first time; book reviews, under the

heading "The Month's Literature," are in a more extended form. The Students' Page is intended to meet a need on which students are frequently vocal—for the solution of problems not dealt with in the text books. Of other changes which ACCOUNTANCY introduces, mention should be made of the monthly editorial, given up in the first issue to a message specially written by Mr. Walter Holman, the President of the Society of Incorporated Accountants. This personal message, which will be found on page 12, explains at length the purpose of the changes which ACCOUNTANCY inaugurates.

The Accountant in National Emergency.

In view of the international situation it is interesting to contrast the present position of the profession with what it was prior to 1914. Income tax was then 1s. or so in the £, and the place of the accountant in commerce was in the main confined to his function as an auditor. At the beginning of the late war he was not regarded seriously in official quarters as of great importance to the State, and

his special abilities and training were made use of to a surprisingly restricted extent. As the late war progressed it was found that accountants in civil life were capable of rendering untold assistance to the Inland Revenue Department in connection with the much swollen income tax and its temporary offshoots, Excess Profits Duty and Corporation Profits Tax, and professional accountants were harassed by the loss of many of their senior men to the Inland Revenue when the latter made up the shortage in their personnel by appointing experienced accountants, both qualified and otherwise, as Inspectors of Taxes. The War Office in time realised the necessity for keeping cost accounts, and collected together a corps of accountants, many of them from the ranks of fighting units. Many senior members of the profession were engaged in organisation work in connection with supplies for both military and civil purposes, and gradually the profession came to be recognised as a valuable aid to the State in time of national emergency.

The International Congress.

The Fifth International Congress on Accounting was held in Berlin from September 19 to September 23. British official delegates, including the President of the Society, Mr. Walter Holman, emulated the Prime Minister in making use of the air route to Germany. Their mission was not undertaken with the urgency of Mr. Chamberlain's, but who can doubt the value of international professional contacts in helping to produce a better understanding among nations? How the Congress provided the opportunity for contacts of this sort is explained in an article in later pages of this issue of ACCOUNTANCY. Representatives of all nations present submitted papers on a number of specified subjects connected with accounting. In default of our being able, owing to considerations of space, to give our readers the benefit of these papers in full, we give with this issue in the form of a supplement extensive summaries of four of the papers in English. In the November issue of ACCOUNTANCY four other papers will be extensively summarised in the same way.

Chaos in the Marine Insurance Market.

Last week the Lutine Bell at Lloyds rang twice. It is rung once for bad news and twice for good news—and it is rung but rarely. Though in a way last week's news was good, it was hardly in the tradition of Lutine Bell ringing. It announced the holding of a meeting to approve proposals calculated to end the chaos which had obtained in the market during the previous week. The meeting did in fact end these chaotic conditions, though it cannot yet be said that all is well in the marine insurance world. During the second week of September underwriters became

so unsettled at the state of international politics that they cancelled all war risk contracts subject to the "24 hours cancellation clause," withdrew the scale of minimum rates and announced that in future war risk insurance would have to be obtained separately from the ordinary marine cover. Chaos resulted. Rates of premium soared, the arbitrage movement of gold to the United States was interrupted, in many cases no war cover could be obtained. After about a week of this state of affairs, underwriters faced up to the situation, a new schedule of rates was issued and apart from the fact that the level of premiums under this schedule was very high, insurances were again transacted more normally, though the war risk remained separated from the ordinary marine risk. Traders remain justifiably dissatisfied, nevertheless. A deputation from the London Chamber of Commerce and other commercial bodies expressed this dissatisfaction in a deputation to the Board of Trade, and, following the invitation of the Parliamentary Secretary, are now engaged in collecting particulars of cases in which sales or purchases of goods cannot reach a conclusion owing to the uncertainty and cost of insurance. The deputation at least had the satisfaction of hearing that if this country were engaged in a major conflict the Government would immediately introduce State insurance against war risks for cargoes. A similar satisfaction is so far denied the owner of property on land.

The Examined Life.

"The unexamined life is not to be lived by mankind" is a principle attributed to Plato. It is a principle which appears to be emphatically reiterated by the modern professional bodies. Bound, as they are, to maintain and improve the standard of their professional designation, it is inevitable that they should periodically review their examination syllabuses. This has just been done by the Board of Examiners of the Society of Incorporated Accountants and we give the revised syllabus in full on pp. 33-36 of this issue. It will be seen that the Final Examination of the Society is in future to take four days instead of three, and the apportionment of the papers has been changed. The number of hours during which candidates will be engaged on the papers in the Final Examination is increased from seventeen and a half hours to twenty-one hours. In the Intermediate Examination the time is extended from eleven and a half hours to twelve hours. The changes are effective with the examinations to be held in May, 1940.

German Corporation Tax Increased.

The general rate of corporation tax for all German corporations having an annual income in excess of RM. 100,000 has been increased from 30 per cent.,

the rate at present obtaining, to 35 per cent., for the calendar year 1938, and to 40 per cent. for the calendar years 1939 and 1940.

The "Share Pushing Bill" Again.

In a note in our last issue we drew attention to the unsatisfactory character of Section 9 of the Prevention of Frauds (Investments) Bill, commonly known as the "Share Pushing Bill." We also questioned what was the position under the Bill of accountants in respect of their quite common function of negotiating purchases and sales of securities. With the reopening of Parliament this week and the probability that the Bill will come up for discussion in the Commons, it is opportune to suggest that accountants' interests as affected by the Bill should be properly protected. It is worth noting that the important financial monthly *The Banker*, observing that bankers are also intimately affected by the Bill, has suggested that a watching brief should be held on their behalf as the Bill proceeds on its passage into law. Might not the same suggestion be made with even greater force in the case of accountancy?

Building Societies.

The Chief Registrar of Friendly Societies again has cause for complaint in his annual report about the manner in which some building societies' accounts are prepared. Some time ago a note was inserted on the form, which had been revised earlier, that the accounts for members must follow the prescribed lines and be identical with the annual accounts and statements submitted to the Registrar, with the exceptions shown in the footnotes to the form. In many cases these requirements have not been complied with. In some instances the printed accounts followed the old form or bore no resemblance whatever to the prescribed form, whilst in others prescribed accounts or items or even the schedules were omitted. It was pointed out to the societies in question that strict compliance with the statutory requirements was in future essential.

Professor N. F. Hall.

Professor Hall, whose lecture on "The National Finances" appears in this issue, was until earlier this year Professor of Political Economy in the University of London (University College). Professor Hall resigned this post to take up the Directorship of the newly established National Institute of Economic and Social Research, which has its headquarters in London and of the Board of which Lord Stamp is a member. In 1935 Professor Hall published a book, *The Exchange Equalisation Account*, which gave him an outstanding place as one of the very few workers in this particular field of applied economics. Throughout his academic career Professor Hall's work has been characterised by a realistic approach and a willingness to pay serious

regard to the experience of business men and those in intimate touch with affairs. A few months ago he produced on behalf of the Economic Committee of the League of Nations an *Investigation into Measures for Raising the Standard of Living*, which throws a penetrating light on this problem. It will be remembered that Professor Hall's lecture on "The National Finances" was given at the Incorporated Accountants' Course at Oxford in July last. Members in the London area will have another opportunity of hearing Professor Hall, for he is to address the London and District Society on Tuesday, March 21st, 1939, on "Factors in Efficiency in Industry and Commerce."

How to Surmount Currency Regulations.

The delegates who attended the International Congress from this country anticipated no difficulty in changing into sterling any marks they may have had over on their return—if the entertainments offered by the Third Reich permitted any balance being left—though they necessarily had to subject themselves to the formalities which currency control enjoins. But the German national is rather less fortunate in money matters. He finds it very difficult to take any of his worldly wealth with him out of the country.

Last year there came from Germany the story of the ingenious inhabitant of that country who found a way round the regulations which hamstringing his fellows. But he was fortunate, as well as ingenious, for he happened to have his financial resources in the form of Bank of England notes. He devised the plan of deliberately destroying this store of value—taking care to do so in the presence of officials from the British Consulate, who duly certified the loss of such-and-such Bank of England notes of denominations so-and-so. As his notes went up in flames the ingenious one had the satisfaction of knowing his notes would be replaced in London and put in safe deposit in that refuge of foreign capital.

Now comes the story of his still more ingenious compatriot who—in company with many who dwell on the Continent—preferred his wealth to be in bearer bonds. They happened to be British bearer bonds. The owner commissioned two lawyers to travel to Germany and, solemnly to witness the intentional destruction of the bonds by fire. Appropriate papers being sent to the company in England whose bonds were thus committed to the flames, the German holder received other securities in replacement. Needless to say, in this case as in the last, use was then made of a safe deposit in this country. We have it on excellent authority that the delegates to Germany of the professional accountancy bodies have not signed any certificates testifying that Bank of England notes or bearer bonds have been destroyed!

The Treatment of Dividends in Accounts

One View—

By F. R. M. DE PAULA, O.B.E., Chartered Accountant

In the year 1929, as auditor of a public company, I persuaded the Board of that company to include in its accounts the proposed dividends, and also to show the dividends less income tax, although this form of presentation was unorthodox and contrary to all teaching and the then accounting practice. To-day, so far as I am aware, there is not a text-book that supports this method, except my own; since 1929, however, an ever-increasing number of the leading companies in this country have adopted this method of presentation. It is interesting to note that the inclusion of proposed dividends is a common and long-established practice in the banking world, the Commercial Bank of Scotland having presented its accounts in this form since the year 1879.

In view of the difference of opinion that exists with regard to this not unimportant point, it may be of interest to attempt to summarise the arguments in favour of this modern form of presentation, leaving it to my friend Mr. Bertram Nelson to put forward the orthodox views.

As regards the deduction of income tax from dividends, the income tax liability of a company is computed upon the basis of the company's earnings and is in no way affected by its dividend distributions. The income tax deducted from dividends does not have to be accounted for to the Inland Revenue as is the case with loan interest and other such annual payments.

A distribution of profits by a company is taxed income in the hands of members and therefore, of course, has to be included in the individual member's income tax return at the gross amount. Therefore, to declare a dividend less income tax is convenient as it makes clear to members the exact amount to be included in their income tax returns. But from the company's point of view it is only the net amount of the dividend, *i.e.* the cash distribution, that affects its financial position. For example, a dividend of 8 per cent. less income tax at 5s. is exactly the same as one of 6 per cent. tax free as regards both the company and each member, but under the orthodox method of presentation the carry-forward shown in the directors' report would be greater in the case of the tax-free declaration. I find it difficult to understand why this should be so.

Under the orthodox method a declaration less tax has the effect of crediting the succeeding year's revenue account with an amount representing the income tax deducted from the dividend paid in respect of the preceding year's profits.

It is submitted that the contrary method is far more simple and also, I suggest, correct.

Before arriving at a company's net profit available for distribution there has to be taken into account not only the reserves which the directors in the exercise of their discretion deem it expedient to set aside, but also the provision for income tax, which cannot be less than, but may well exceed, the amount of the company's statutory liability. That which remains for distribution, therefore, is in truth and in fact a taxed, or what might be termed a "net," fund. It seems to me elementary logic that that which is paid out of that fund by way of dividend from which tax is deducted should likewise be expressed as a net sum.

Now consider the embodying of the proposed dividend in the accounts. It is of course true that the directors' recommendation as to dividend is subject to the approval of the members in general meeting, but it is of importance to note that the members are powerless to *increase* the amount recommended by the Board. They may on the other hand reduce the proposed dividend, but in 40 years' experience I can recall no instance in which this has occurred. The risk of such an eventuality is so remote that it appears to me a singularly impotent weapon with which to attack the advocates of the modern method of presentation.

Moreover, the appropriations arise directly out of the operations of the past year, but the orthodox method cuts across the accounts for two years, as last year's appropriations have to be included in the succeeding year's appropriation account.

In reading a balance sheet two vital factors which it is essential one should see clearly are (a) what exactly is the amount of the members' interest in the company, *i.e.*, the share capital plus reserves and undivided profits; and (b) what exactly is the amount of the working capital, *i.e.*, the surplus of the current assets over the current liabilities. In the case of the orthodox balance sheet it is usually necessary to take pencil and paper and work out these two figures, as the proposed dividend distribution has to be deducted from the total of the members' interest as disclosed in the balance sheet, in addition to which it affects the surplus of current assets over current liabilities. But why, I ask, should those reading a balance sheet have to make such adjustments in order to arrive at the true state of affairs? The other method has at least the merit that the real

picture is presented in such a way that "he who runs may read."

Personally I cannot understand how it can be said to be wrong to provide in the appropriation account and in the balance sheet for a proposed dividend so long as it is so designated, as the dividend arises directly out of the past year's operations, although it is admitted that it does not become a legal liability until it is voted by the members. Further, the dividend distribution is without doubt a known contingency, the amount of which is to all intents and purposes known exactly. It has always been accepted practice to provide for known contingencies; for example, a claim in respect of which litigation is pending. In this case it is not known whether an actual liability will materialise, what will be the amount, and the date when the payment will have to be made.

In such circumstances no one, I imagine, would contend that it would be wrong for a Board to make a reserve for this possible liability which might in fact never materialise and in spite of the fact that the amount of the provision would be a matter of pure guess work. Why, therefore, can it be wrong to provide for a dividend distribution which is a known contingency (a) directly arising out of the operations for the past year, (b) which for practical purposes is certain to materialise, and (c) the amount of which for practical purposes is exactly known? Of all the many contingencies that have to be provided for in the preparation of balance sheets, it is submitted that there is none so certain to materialise as the dividends recommended by a Board.

The dividend recommendation is shown in the appropriation account and also in the balance sheet as "Proposed dividend less income tax." It is submitted, therefore, that in this way it is made quite clear that the dividend is not included as representing a legal liability at the date of the balance sheet, but as a reservation for a known contingency. In these circumstances I cannot see how it can be

argued that this form of presentation of the accounts of a company is wrong.

It may be contended that the members may not accept the dividend recommendation of the directors. This is true in theory, but very unlikely in practice. If this did occur, then the accounts as submitted would have to be amended, which has always been a possibility as the balance sheet itself is submitted at the annual general meeting for the approval of the members, who have the power to refuse to adopt the accounts as presented by the directors. Recently the members of a well known company refused to pass the balance sheet as submitted by the Board.

Under this method the Board submits to the members accounts which embrace the recommended appropriations, both the accounts and the dividend recommendations being of course subject to the approval of the members. The great advantages of the method are that in this way the members are enabled to see at a glance the exact effect that the Board's recommendations will have upon the company's financial position.

Furthermore, it is submitted that from the practical point of view the inclusion of the proposed dividends less income tax makes accounts much simpler in form and easier to read. That this form of presentation is appreciated by the public is evidenced by the widespread and enthusiastic reception it has received in the press and by the general public, and furthermore by the fact that an ever-increasing number of companies are adopting this method of presentation.

Ten years of practical experience have strengthened and confirmed my original thoughts on the subject and I am convinced that this form of presentation is a great improvement on the orthodox one. After all, every custom began as a broken precedent, and I am no longer content to burn incense at the altar of accounting convention when logic, common sense and practical expediency make irresistible demands that that convention should be superseded. Heretic if you will, but I remain unrepentant!

—The Other View

By *BERTRAM NELSON, Incorporated Accountant*

Mr. de Paula, with characteristic charm and eloquence, has stated the case for the inclusion of proposed dividends in balance sheets on the grounds of logic, common sense and practical expediency. I am content to accept these three tests.

Under the method suggested, proposed dividends are debited in the profit and loss appropriation account for the year to which they relate and are then treated as current liabilities in the balance sheet. The argument is attractive but the difficulties are considerable, as will be seen from an illustration taken from Mr. de Paula's book on Auditing. In

this example a balance sheet which sets out a true and correct view of the state of a company's affairs "as at 31st December, 1936," includes among the "current liabilities" an ordinary dividend which admittedly was neither ascertainable nor due until April, 1937, when the shareholders met. The logic seems to me to be inescapable. At December 31st, 1936, that dividend was not a "liability" for the reason that it was not due until it was declared. Until then, the profit and loss balance was, in fact and in law, unappropriated and no shareholder had the slightest right of action against the company for his

dividend. Furthermore, if, as Mr. de Paula suggests, the balance sheet is to be artificially amended to show the effects of the directors' proposals in regard to dividends, the argument applies with equal force to other recommended appropriations of profits. It may be, for example, that the shareholders are to be asked to approve not only a dividend but also an issue of bonus shares, a transfer to reserve account and increased directors' fees. If the balance sheet is to reflect all these recommendations, it will cease to have any relationship to the facts as at the date of balancing and will become merely a conjecture as to what may be in the minds of shareholders months ahead, with past, present and future inextricably mixed in chaotic confusion. In Mr. de Paula's skilful hands, such an admixture of balance sheet and budget functions can be excellent, but the ink curdles in my pen as I think of the results under less expert guidance.

The next test is that of common sense. Here Mr. de Paula makes skilful play with the arguments (a) that shareholders seldom or never interfere with the directors' dividend recommendations, and (b) that there is an analogy between reserves for contingencies and dividend reserves. The risks of interference with the directors' policy are admittedly small, but it may be none the less necessary to give accounting recognition to the deliberate intention of the law that the final responsibility for dividend declaration rests not with the board but with the shareholders. It should surely be possible for shareholders to adopt a balance sheet without being irretrievably committed on the next resolution on the agenda relating to the proposed dividend. And what would really happen under Mr. de Paula's method if the proposed dividend could not be declared through some unforeseen cause such as war, exchange difficulties, moratoria or change of control? In such cases the balance sheet would clearly have to be withdrawn and the meeting adjourned. Surely there must be something wrong with a balance sheet which may have to be ignominiously jettisoned after it has been issued because of events happening four and five months after its supposed date. This difficulty might not be fatal if we could feel that there is any real analogy between dividend reserves and reserves for contingencies, such as pending legal actions. The theory here is that since dividends are almost "certain to materialise," it is prudent to make the appropriate reserve. The argument may, however, be fallacious: bank interest accruing over the next six months may be equally "certain to materialise" but that does not justify a reserve, for the reason that the interest is not due at the date of the balance sheet. The test seems to be that reserves should be created only in respect of circumstances arising within the period of the account

under review; it is essential that the liability in question should be a proper charge against the current account, even though its amount may not be finally ascertained until some future period. Proposed ordinary dividends do not comply with these requirements since they are appropriations of profit, made after the date of balancing. On grounds of common sense there seems to be no reason whatever to regard proposed dividends as contingent liabilities as at the date of balancing.

Finally, there is the test of practical expediency. The advantages claimed for Mr. de Paula's method are that it shows clearly:—

The balance to be carried forward on profit and loss account, after payment of dividends.

The shareholders' interest in the company.

The surplus of current assets over current liabilities.

These are not new discoveries, however. The effects of the proposed dividend on the profit and loss account are already shown in the proper place for such information—the directors' report. The shareholders' interest and the current assets surplus can already be ascertained from any properly drawn balance sheet; in any case, if the purpose of Mr. de Paula's adjustment is to show the effect of the proposed dividend payment on the liquid position, what matters is not the current liabilities and assets at the date of the balance sheet but rather the position when the dividend is payable. It seems to me, therefore, that interpretation is not greatly helped by the proposals under discussion.

It is a strange experience for me to find myself ranged with orthodoxy and the text books against Mr. de Paula and his modern forms of presentation, which in general we all so much admire. But I remain unconvinced and plead for further consideration of these interesting proposals before they become the accepted practice of the profession.

On the question of whether dividends should be shown gross or net (*i.e.*, before or after deduction of income tax) the arguments advanced by Mr. de Paula seem to me to be convincing. There must necessarily be some difference of opinion on this point, which is not perhaps of vital importance provided that a clear indication is given as to which method is being employed. I would, however, lay stress on a kindred matter, which seems to me to be of much greater moment—the method of showing taxation reserves in the balance sheet. In many instances, the current form of presentation makes it impossible to ascertain whether reserves are being made on the full profits for the year under review or merely on the basis of the apportioned income tax period. It seems to me essential that the profession should devise some form of wording which puts this matter beyond doubt.

Trustee Act Reform

[By a Correspondent]

There was only a limited degree of dissatisfaction with the limitations on trustee investment when, in 1928, the Cave Committee reported in favour of the rules. But during recent years low interest rates, introduced by the War Loan conversion of 1932, have involved no slight degree of hardship for those whom the trustee rules were designed to serve—the widow, the minor and the tenant-for-life. There has therefore been some dissatisfaction with the answer to a question in the House of Commons given by the Chancellor of the Exchequer last June to the effect that he saw no sufficient reason for considering the amendment of the Trustee Act at the present time.

A trustee is bound in the first place by the instrument creating the trust, and in the second place by the general requirements of the Trustee Act. If the settlor seeks to avoid the limitations of the trustee rules, he may give the trustee wide investment powers in the instrument creating the trust. But he has first to satisfy himself that the trustee will be able to manage the trust with intelligence and perception. And if the latter lacks adequate investment knowledge, he may still play for "safety" behind the trustee rules. Trustee securities, no less than others which a settlor might specifically include under the original deed, are not immune from market fluctuation. But the trustee could always claim benefit of the statute if, say, a tenant-for-life complained of reduced income, or a remainderman objected to reduced capital values.

The problem, therefore, is a dual one: to ensure that the scope for trustee investment gives adequate protection to beneficiaries but allows them to enjoy the fullest investment opportunities consistent with safety. It can scarcely be said that the Trustee Act has wholly succeeded under the second heading. Sir John Simon explained in June that the Act merely prescribes certain tests for the granting of trustee status, and does not provide a selected list of securities. But at any given time the list, if not selected, is limited, and in recent years it has been markedly reduced in length. Yet there is a waiting list of securities which, judged on their investment merits alone, should be worthy of inclusion among trustee securities; and, on the other hand, time has thrown doubts on the principles by which some of the existing stocks enjoy their place.

The first section of the Trustee Act of 1925 defines the various stocks which are eligible for trustee investment. Many of the groups have obvious right to their place. British Government securities; sterling loans charged on the revenues of India; securities authorised under the Colonial Stock Act

of 1900; Bank of England stock; these are categories regarding which there can be no difference of opinion.

But the definitions of the Act have scarcely moved with the times. The legacy of the Trust Investment Act of 1889 (on which the 1925 Act was largely based) appears to account for the emphasis placed on British railway and canal stocks. British railway prior charge and preference stocks rank for trustee status, provided that a minimum ordinary dividend of 3 per cent. has been paid by the company concerned for each of the previous ten years. This provision has occasioned several notorious anomalies during recent years. Great Western 5 per cent. consolidated preference stock, for instance, has so far remained eligible for trustees. Yet its dividend was in fact short-earned in one year during the depression, and its retention in the trustee list was due solely to the directors' decision to pay 3 per cent. ordinary dividends by drawing heavily on their reserve funds—a procedure which may have been expedient but could scarcely be squared with the sternest financial orthodoxy. London, Midland and Scottish Railway failed to pay any ordinary dividend at all in four years during the depression; yet its 4 per cent. debenture stock was covered more than twice in the worst year, although unlike the G.W.R. consolidated preference issue, it lost trustee status. We must pass briefly over the notorious conflict between the trustee rules and those of the High Court. Under the Court rules any prior charge railway stocks are eligible if any ordinary dividend, no matter how small, has been paid in each of the past ten years. Section 1 (r) of the Trustee Act, however, admits to trustee status securities authorised by the rules of the Court. Thus in the conditions governing railway stocks there is a conflict of laws which enables the Court, in effect, to override a Statute. Again, under modern conditions of public finance, the securities of a municipality comprising 49,999 citizens are not necessarily inferior to those of a corporation with a population of 50,001. The minimum population rule is obviously arbitrary, although it can hardly be said that in the average case it involves real hardship.

The main conclusion which emerges from examination of the list of eligible investments (not all of which have been cited above) is that its flavour has become musty. Even among the permitted investments, low interest rates during recent years have led to the automatic exclusion of many stocks under the rule that certain redeemable stocks are not eligible for purchase if they stand at a premium of over 15 per cent., or at any premium at all if they may be redeemed within fifteen years. But the

omission of investments which, on general considerations, are not inferior to prior charge railway stocks is even more self-evident. Gas and electricity stocks, Central Electricity Board stocks, public authority securities like those of the Port of London Authority and the Mersey Docks and Harbour Board, not to mention the senior joint-stock bank issues—none of these is included in the charmed circle.

The provisions of the Trustee Act, therefore, are at least a couple of decades behind the plain investment facts. The Cave Committee declared that "it cannot be suggested that there is any need felt by trustees for a wider range of investment than exists at present." That was in 1928, before the War Loan and other conversions. A very different view might be expressed to-day. A good deal of the Committee's time was occupied in the unrewarding task of trying to square the anomalies between the Trustee and Chancery Rules. And its view, very broadly, was that any extension of the trustee list would inevitably

involve a dilution of quality. Sooner or later, however, the problem will have to be faced whether the statutory machinery for determining trustee status is not too rigid. The flux of economic change renders any statutorily-defined list out of date within a few years. Some more elastic mechanism, it is suggested, might be set up to review the situation more regularly, and more expertly, than could be expected of Parliament itself. The elasticity which obtains under the Rules of Court is sound in principle, but the examining body might well be broadened. Though determination of the legal considerations involved would obviously be needed, the problem at bottom is one of investment practice rather than of law. Its solution might well be left to a committee, with statutory powers and under the chairmanship of a judge, composed of representatives from the accounting, Stock Exchange, banking and actuarial worlds, together with representatives from the Treasury and the Public Trustee Departments.

The Accountant's Function in Business

By C. P. McCARTHY, Incorporated Accountant

What is the part which the accountant is expected to play in business? How is he playing it? Do the great governing bodies help him in the most beneficial manner? As far back as 1921 Lord Stamp raised this question when he said:—

"I make this serious indictment of accountants.

Scientific accountancy has now been developing for some fifty years, but I cannot trace that it has made a single substantial contribution to economic science over its own field of analysis of the results of industry, although it has practically a monopoly grip of the required data."

In the offices of accountants all over the world lie carefully documented and tabulated data in respect of individual firms or groups of firms, but at no time, as Lord Stamp properly stated, has there been a systematic attempt to co-ordinate and integrate the results. To the vast and valuable documentation available to them the governing bodies of the profession have pursued no specialised method of approach. It is right to say that the Councils of the Institute and Society have made many revisions of their training and examination methods, but it would appear to be fair comment to say that whilst they have regulated the approach of the individual to the profession, once he is admitted a member he is free to pursue his own way, preparing his accounts along his own lines, acting almost *in vacuo* as far as comparative practice is concerned. Half a century ago, when E. Garcke and J. M. Fells produced their memorable book "Factory Accounts," the claim that stock balances should be as readily ascertainable as cash balances was regarded as an

unattainable ideal." In terms of existing practice it may be asked if "unattainable ideals" are being expressed in some of our modern text-books, and what are the governing bodies doing about it?

Tribute must be paid to the valuable work which is being done by the Incorporated Accountants' Research Committee in drawing up specimen statements for the use of practitioners. Yet if we accept the view that the function of the accountant lies in the analysis and interpretation of industrial results it will hardly be denied that the specimen account forms provide, of themselves, no constructive help towards the final analysis of the figures on a comparable basis. Final analysis, in this sense, should lie in having before one a statement in which all the figures are comparable with other statements relating to the same type of business and the method of analysis should be uniform. The draft accounts issued in the September issue of this journal may be examined to show that in them, as published, there is something lacking. The accounts referred to deal with Motor Transport, but until some definite information is available as to what may be included in each head of expense, practitioners adopting the accounts may have different ideas. Furthermore, there is nothing on the face of the accounts for such important matters as mileage run, passengers carried, tons hauled, operating expense in terms either of fuel consumed or of per mile run. Neither is there any indication of the method of ascertaining profits per car mile or per passenger, or per hour of running. Yet wide variations occur. For instance, one witness before the Select Committee on the London Transport

Bill said "we run our omnibuses seventeen hours per day." Furthermore, the absence of a uniform balance sheet negatives to a considerable extent the final value of the model accounts.

It is seriously suggested that the Research Committee should consider including some uniform statistical heads in the model accounts, and if members of the Society helped from the records in their possession it should be possible to devise forms of accounts which, while affording industrialists and traders every information, would at the same time enable the Research Committee eventually to set up what may well be called standards of performance for groups of industrial undertakings. Even percentage calculations properly prepared and permitting of tabulated comparison would be a valuable contribution to the economics of industry.

As a part of such work it would be necessary for the Committee to define in a precise way the items which should be listed under each head of expense appearing in the accounts. Perhaps "accountants' terminology" expresses the idea involved. The absence of basic uniformity in preparation affects almost every figure of published cost. The Committee on Industry and Trade reported that "the cost accounts of British manufacturers exhibit a wide variation in form and classification." If one sought to make comparisons, using the reports of that Committee, how singularly vexatious the statement would appear that, as regards materials, "under this head is included the full cost, including usually transport charges. . ." But, then, how many auditors, in certifying accounts for the same type of business, can say that such accounts are drawn up on a perfectly comparable basis, although the common certificate as to their "being properly drawn up" is attached?

If some definite terminology were adopted, coupled with the insertion in the accounts of quantities (where possible), a welcome advance would be made,

particularly if accountants co-operated with the Research Committee is setting up "standards." For instance, the commodity "cash" is subjected to strict quantitative control. Is there any reason why other commodities should not be subject to the same control? If, say, the quantities of raw materials consumed in defined processes could be analysed and some aggregate figure was made available through the Research Committee, how useful it would be in enabling the accountant to perform his function in business! As regards wages, some uniform formula should be devised. The absence of uniformity makes many published figures statistically meaningless. Thus the Committee on Industry and Trade state "it was not possible to make an accurate division between wages and salaries because of the fact that in many cases Wage Earners in 1913 were classed as Salaried Staff in 1924." A similar absence of uniformity detracts seriously from the valuable work being done by the League of Nations and the International Labour Office. The latter body recently completed a study into the World Textile Industry and reported that "international comparisons of unit labour and raw material costs are fragmentary." Yet ordered comparison should not be beyond practical achievement. The Industrial Court faced a problem of great complexity when

"the men concerned numbered some 110,000, belonging to about 1,500 grades or occupations distributed among about 650 places of diverse size and character. With some ingenuity the Court brought all classes within a relatively small number of different scales."

In short, it is necessary to consider whether there can be evolved some measures of business efficiency which may be applied to the figures appearing in the accounts and the balance sheet, and whether some uniformity of practice can be established in interpreting financial relationships.

The International Congress

In fulfilment of an invitation issued by the accountancy profession in Germany, the Fifth International Congress on Accounting was held in Berlin from September 19 to September 23. At the opening meeting on Monday, September 19, some 1,200 people assembled to hear an address of welcome by the President of the Congress, Dr. Otto Monckmeier, followed by a speech by Dr. Hans Frank (Reich Minister for Law). The assembly included about 200 representatives of the accountancy profession from other countries, and the delegation from Great Britain and the British Dominions numbered about forty. Mr. C. J. G. Palmour, President of the Institute of Chartered Accountants, on behalf of all foreign delegates, responded to the welcome, and

expressed their interest in participating in the excellent programme which had been arranged. Dr. Wilhelm Voss, Deputy President of the Congress, addressed the Congress in the afternoon upon Modern Developments of the Accountancy Profession; he was followed by Cav. G. Baccarini, Italy, and the remainder of the Session was devoted to an address on Foreign Trade Policy, by Herr Brinkmann, Under-Secretary, Ministry of Economic Affairs.

The proceedings were held in the Kroll Opera House, which is the Session Hall of the German Reichstag. Each speaker gave his address from the platform. The speaker's reading desk was fitted with microphones, and each member of the Congress was able to listen to the speeches through individual

earphones, made adjustable to speeches in one of four languages. Speeches were simultaneously translated into English, French, German, or Italian, so that all members had an opportunity of hearing the speeches in languages with which they were familiar.

The allocation of speeches and papers had been arranged by the Congress committee with admirable efficiency, and with a desire to give each nation represented an opportunity of taking part in the proceedings. Eight professional subjects had been chosen: a country was asked to contribute a national paper on each subject, and at the invitation of the committee a general reporter was appointed to prepare a general paper based on the several national papers in his subject, which had been furnished to him in advance. A record of the proceedings of the Congress is being prepared.

It is impossible in the space available to review the subjects discussed. The speakers from the British delegation included Mr. C. J. G. Palmour, President of the Institute of Chartered Accountants, who was the general reporter on the Audit of Combines, while Mr. A. Stuart Allen, F.S.A.A., gave a general paper on Auditing by and for Tax Authorities. Other speeches, some of which are reported on pages 30-32 of this issue of ACCOUNTANCY, were given by Mr. Walter Holman, President of the Society of Incorporated Accountants (Audit of Annual Accounts), Mr. Percy Toothill, Vice-President of the Society (Audit of Combines), Mr. E. Cassleton Elliott, F.S.A.A. (Other Auditing and Advisory Work), Sir Harold Howitt, F.C.A. (Methods of Computing Cost and Control of Prices by Public Authorities), Mr. H. R. Oxborrow, F.L.A.A. (Auditing by and for Tax Authorities). Mr. J. F. Forbes, American Institute of Accountants, was the general reporter on Methods of Computing Cost and Control of Prices by Public Authorities, and his paper was a thoughtful contribution to a subject which calls for increasing attention in all parts of the world.

The themes discussed at the Congress laid stress upon the independent professional position of the practising accountant, a principle upon which there was general agreement. The accountant was increasingly consulted in the preparation of laws relating to industry, commerce and finance so far as accountancy as distinct from political problems was involved, and legal responsibilities were imposed upon him. Whether an accountant personally agreed with the policy involved or not, when he was professionally consulted in regard to either the preparation of the law or the carrying out of schemes under special laws, it was his duty, and indeed his privilege, to give impartial advice founded upon his experience and professional training.

All the delegates from abroad were most hospitably entertained, and participated in a number of official functions as well as in the functions organised by the

Congress committee. A brilliant reception was given to the foreign delegates by Dr. Hans Frank, Reich Minister, on behalf of the German Government, at the Schloss, Berlin. The Schloss is a magnificent and historic building, and the guests were entertained by a concert of chamber music, followed by supper. Reference should be made to the reception at the Aero Club given by the Reich Minister and to Dr. Monckmeier's luncheon to foreign delegates; to a luncheon presided over by the Chief Burgomaster and President of the City of Berlin; to the reception by the Academy of German Law in honour of foreign guests, and to the evening at the Anglo-German Club, to which British visitors were invited.

The Congress Committee arranged a tour of Berlin and Potsdam, including a visit to the Garrison Church; the return journey was by boat on the Wansee. The tour gave visitors an opportunity of seeing the City of Berlin, its surroundings, and its wide motor roads.

The final meeting of the Congress was held in the Kroll Opera House, and speeches were made by Dr. Otto Monckmeier, President of the Congress, and Dr. Hans Frank, the Reich Minister. Herr Cecil T. Lund, of Norway, responded for the whole of the delegates. On the final evening the members of the Congress participated in a banquet and ball at the Kroll Opera House. Members of the profession in Germany entertained foreign guests personally, and this created a friendly atmosphere. Cordial acknowledgment should be made of the able services of Herr W. Jaeger, Secretary for the Congress, who also kindly gave personal attention to the President of the Society and to other visitors.

The delegates had some opportunity of obtaining an impression of the accountancy profession in Germany, where it has made considerable strides during the last ten years. The profession of *Wirtschaftsprüfer* is limited to those who have complied with certain regulations as regards experience and examinations, and this qualification can only be held by those in public practice. Upon ceasing to practise the qualification can no longer be used. On the other hand, a *Wirtschaftsprüfer* can be a member of a *Treuhandgesellschaft*, which has no corresponding equivalent in Great Britain, but is a syndicate of accountants who undertake trusteeships and important work, sometimes on behalf of the banks. Members of a *Treuhandgesellschaft* must be *Wirtschaftsprüfer*, who are allowed to carry on their professional functions in this way. There is disciplinary control and advertising is not permitted. It is interesting and pleasing to note that the standards of professional conduct in all parts of the world controlled by a variety of regulations have the same object in view, namely, to maintain the status of the profession and the regard by which it is held by the Government and by the public generally.

INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE

The Incorporated Accountants' Research Committee have undertaken the task of preparing specimen forms of accounts for various businesses and professions. Some of the specimen forms have already appeared in previous issues as follows:—

General Forms of Accounts	April, 1937	Engineers	March, 1938
Executors and Trustees... ..	June, 1937	Farms	April, 1938
Boot and Shoe Manufacturers	October, 1937	Garages	May, 1938
Brickworks	November, 1937	Hotels	June, 1938
Building and Estate Development	December, 1937	Laundries	July, 1938
Cinemas and Dance Halls	January, 1938	Medical Practitioners	August, 1938
Cotton Merchants	February, 1938	Motor Transport	September, 1938

PRINTERS

PROFIT AND LOSS ACCOUNT

	£	£	£		£	£
I. Materials :				I. Sales	—	£
Paper and Ink Stock at beginning	—	—	—	Deduct Work in progress at beginning of year	—	—
Add Purchases	—	—	—		—	—
	—	—	—	Add Work in Progress at end of year	—	—
Deduct Stock at end	—	—	—		—	—
Ink Stock at beginning	—	—	—	II. Other Income :		
Add Purchases	—	—	—	Discounts received	—	—
	—	—	—		—	—
Deduct Stock at end	—	—	—	III. Net Loss	—	—
Binding Material Stock	—	—	—		—	—
Add Purchases	—	—	—		—	—
	—	—	—		—	—
Deduct Stock at end	—	—	—		—	—
II. Outwork	—	—	—		—	—
III. Wages (Direct and Indirect) and Holiday Payments	—	—	—		—	—
IV. Departmental Expenses :					—	—
Rent and Rates and Fire Insurance on Buildings	—	—	—		—	—
Repairs to Premises	—	—	—		—	—
Insurance, Fire—Plant, Stock and Work in Progress	—	—	—		—	—
Do. Employers' Liability	—	—	—		—	—
Do. Loss of Profits	—	—	—		—	—
Light	—	—	—		—	—
Heating	—	—	—		—	—
Power	—	—	—		—	—
Plant Repairs and Renewals	—	—	—		—	—
Departmental Sundries	—	—	—		—	—
Depreciation	—	—	—		—	—
V. General Expenses :					—	—
Principal's and Management Salaries	—	—	—		—	—
Office and Travellers	—	—	—		—	—
Travelling Expenses	—	—	—		—	—
Postages and Telegrams	—	—	—		—	—
Own Stationery, Advertising and Spoilage	—	—	—		—	—
Carriage and Van Expenses	—	—	—		—	—
Packing Materials	—	—	—		—	—
Telephone	—	—	—		—	—
Audit and Legal	—	—	—		—	—
Bad Debts	—	—	—		—	—
Sundry Expenses	—	—	—		—	—
VI. Finance :					—	—
Bank Interest	—	—	—		—	—
Loan Interest	—	—	—		—	—
Discounts received	—	—	—		—	—
VII. Net Profit	—	—	—		—	—
	£	—	—		£	—

ACCOUNTANCY

Formerly the Incorporated Accountants' Journal
Established 1889

The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. od., postage extra.

All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2

A PRESIDENTIAL MESSAGE

To-day the Society's journal appears under a new name and in a new form, and the occasion is the more noteworthy because this is the first number of the journal's Jubilee Year.

The changes which have been made go beyond name and form. They involve personnel and policy, and I want as President of the Society to welcome our Deputy Secretary, Mr. Leo T. Little, to the editorial chair. He has already served his apprenticeship to journalism, for he held for some years an important position on the staff of the *Statist*, and I am sure that, before he clothes himself in that anonymity which so well becomes editors, all the members of the Society will join me in expressing the hope that under his editorship the journal will continue the great service it has in the past rendered to the Society and to the whole profession.

The reason for the changes made will be clearer if, in taking leave of the *Incorporated Accountants' Journal*, I refer briefly to the purposes of those who founded it. When the journal was launched as a quarterly periodical in June, 1889, the Society itself was only four years old, and Mr. James Martin, as Secretary of the Society, became the first editor. In his hands the journal became an instrument for welding the scattered members into a progressive and unified organisation, and for upholding and furthering the claim of Incorporated Accountants to a full share in the business available to professional accountants. His virile pen roused and retained the loyal support of the members, and his outspoken advocacy of the Society and all that it stood for compelled respect in every quarter.

The early success of the journal justified its monthly publication from 1895.

Sir James Martin, until his death in 1935, enjoyed the close collaboration of his partner, Mr. William Strachan, who was made Joint Editor with Sir James in 1931. On his now relinquishing the position which he has filled with distinction for so long the Council has conveyed to Mr. Strachan its grateful thanks for the work

he has done for the Society in connection with the journal, the value of which it would be difficult to overestimate.

The journal will in future appeal to and cater for all members of the accountancy profession and not only those who are Incorporated Accountants, and this change is symbolised by the change of name to ACCOUNTANCY. I believe this change will be welcomed generally, and I gladly and gratefully acknowledge the goodwill towards our new venture which has already been shown by our principal contemporary.

The paper, print and lay-out of the new journal is in keeping with modern ideas and, it is hoped, will make the contents more attractive to readers. But so far as the contents are concerned, "development" is probably a better word than "change" to denote what the new editor has in view. Since in the past the journal has avowedly been a Society organ, considerable space has been devoted to proceedings and functions of local interest and of only ephemeral value. The space hitherto devoted to such proceedings will be reduced to make room for contributions of more permanent value, and incidentally this will relieve the President of the Society from the embarrassment caused by the publication of his more glaring indiscretions! ACCOUNTANCY will still be the Society's journal, but it is intended that its usefulness to the practising accountant shall be enhanced by an increase in the number of contributions and reviews in regard to developments in the profession abroad as well as at home, an extension of the notes on legal and other topics, and by a more systematic treatment of taxation and matters arising thereon in the Courts and in practice. It is hoped also to increase the appeal of the journal to students by dealing regularly with specific points which are apt to cause difficulty in study and are not usually dealt with in the text books.

It is not to be expected that all the new features will be introduced at once and it must certainly not be assumed that this brief summary exhausts the intentions or the capacities of the editor. The purpose of this foreword is not to lay down a programme or to prescribe limits, but rather to welcome the widening of the scope of the journal and to commend ACCOUNTANCY to the active support of all our members.

At the beginning of this article I referred to the time when the journal was first launched. May I continue the metaphor by announcing that, having been modernised, re-conditioned and re-equipped, the journal is now re-christened and re-launched—under a new skipper but with many of the old hands still aboard. I hope her journeyings will be for the enrichment not only of members and adherents of the Society and of accountants in general, but also of the discriminating public who are interested in the application of accountancy principles to the affairs of life.

WALTER HOLMAN.

TAXATION**Maintenance Claims Under Schedule A**

Where practicable, any maintenance claims under Schedule A should be made early in the year of assessment, since, although the Acts provide for relief by way of repayment, it is the practice, where the claim is made in time to permit that course, to give the relief from the tax collected on the property. The present is therefore an opportune moment to review some aspects of such claims.

It is provided by Rule 8 of No. V, Schedule A, that if the owner of any land or houses to which the rule applies shows that the cost to him of maintenance, repairs, insurance, and management, according to the average of the preceding five years, has exceeded the statutory allowance, he shall be entitled, on making a claim for the purpose, to repayment of the amount of the tax on the excess. For this purpose, the term "maintenance" includes the replacement of farmhouses, farm buildings, cottages, fences and other works where the replacement is necessary to maintain the existing rent (Rule 8 (2)); the term also includes additions or improvements to farmhouses, farm buildings or cottages, but only if no increased rent is payable in respect of the additions or improvements and in so far as they are made in order to comply with the provisions of any statute or the regulations or by-laws of a local authority (Finance Act, 1924, Sect. 25).

The addition made by the 1924 Act is somewhat anomalous in that the cost of additions or improvements made at the request of the tenant is inadmissible in the claim (even if necessary to prevent the termination of the tenancy), but if the landlord waits until the structure becomes dangerous or insanitary and is served with a notice requiring him to do the work, he can include the cost in the claim. The anomaly is recognised in practice, and the expenditure is allowed in many cases where on a strict interpretation of the Rule it would be inadmissible, *i.e.*, expenditure in anticipation of a notice under statutory provisions or regulations is allowed.

The owner of the property may claim relief under Rule 8 in respect of property occupied and property let to tenants. A beneficial occupier (*i.e.*, a tenant at a rent less than the annual value) may be regarded as owner to the extent of his beneficial occupation.

Sect. 25 of the Finance Act, 1922, provides that a claim can only be made where a statutory repairs allowance operates. (It will be remembered that Rule 7 (2) of No. V of Schedule A, as amended by Sect. 20 of the Finance Act, 1928, provides that the repairs allowance shall not be granted where the gross annual value is less than the rent by a sum greater than the authorised reduction on a gross

annual value equal to the rent less any outgoing that would be deducted in making the assessment, *e.g.*, tenant's rates borne by the landlord.) This rule is relaxed by concession, and a repayment made on the amount by which the average maintenance, &c., exceeds the difference between the rent and the gross annual value.

The claim is to be made for each year, on the average of the expenditure of the preceding five years. To meet the case of new owners, however, an alternative is adopted, by concession. If the purchaser cannot obtain particulars of the expenditure for the relevant years prior to purchase he is permitted to claim on the actual expenditure in each year, provided he agrees to continue this basis until he has a five years' average available. In some cases, where it is obvious that repairs, &c., have been incurred in previous years, it is possible to agree a notional amount for years prior to purchase so as to permit of averaging for the first year. Bearing in mind that the claim cannot exceed the net annual value, *i.e.*, no more tax can be recovered than has been paid under Schedule A on the property, this method is particularly valuable if the expenditure in the early years is considerable, as the heavy expenses of one year enter into the average in the five following years. Heavy expenses in the early years of ownership may cause disputes as to their admissibility, but should be admitted; if the property has been neglected it is true that a smaller price will have been paid for it, nevertheless the repairs would have been allowed if the vendor had incurred them, and he has had the full value of the property in the purchase price plus what he failed to spend!

Admissible expenditure includes:—

(a) In the case of houses—

All repairs, both inside and out, including decorations borne by the owner.

Re-making and re-metalling drives.

Repairs to gates, fences, walls, drains, &c.

Lopping trees.

Renewals of parts, *e.g.*, re-roofing, renewing doors, windows, &c.

Maintenance of all landlord's fixtures.

Maintenance and renewal of water supplies, heating plant, &c.

Maintenance of glasshouses, heating apparatus and walls (this does not include running costs).

Insurance of the structure as distinct from the contents.

Management (*i.e.*, costs of preparation of tenancy agreements and stamp duty on owner's copies, advertising houses to let, agent's charges for rent collection, &c.). The costs of preparing the claim itself are a management expense.

Stables, garages, employees' cottages, &c., included in the Schedule A assessment are all part of the structure for the purposes of the claim.

Where improvements of a substantial character are made, *e.g.*, the installation of electric supply in place of gas, the cost that would have been incurred in renewing the existing plant can usually be obtained.

(b) In the case of estates—

Cost of audit-rent luncheons.

Estimated cost of felling, hauling and conversion of home-grown timber, plus the market value of the standing timber *in situ*, and of getting and carting sand, gravel, &c., from the estate used in estate repairs.

Wages of, and gross annual value of houses occupied rent free by, employees engaged in maintenance or management.

National Insurance Contributions of these employees.

Pensions to such estate employees or their widows (this includes voluntary pensions).

Annual subscription to a hospital used by such employees.

Salaries of agent and staff, and office expenses of estate office (including gross annual value of estate office) except any proportion not applicable to management and maintenance.

Legal charges for advice on routine matters of estate management as distinct from capital transactions.

Expenses of arbitration as to rent, making a record of the holding, &c.

Replacement of farmhouses, &c., as already mentioned. Where the replacement includes an improvement, the appropriate proportion of the expenditure is allowed.

Cost of free coal and Christmas beef given to present or past employees or tenants.

The maintenance and repairs arising from ownership in the case of any farm occupied by the owner, where the expenses are charged in the estate accounts. (In this case, the gross annual value will be allowed as an expense in computing the farm profits for the purposes of a claim under Schedule B, Rules 5 or 6, so as to avoid a double deduction of the statutory allowance for repairs.)

Inadmissible expenditure—

Any expense or part thereof that represents extensions or improvements (except in the case of farmhouses, &c., as already explained).

Rates and taxes, tithes, rent-charges, ground rents, annuities, interest, &c.

Expenses of farming, gardening, rearing or preserving game. (Maintaining gardens or grounds of empty property with a view to re-letting may be admissible.)

Compensation paid to tenants in respect of the value of unexhausted manures.

Land tax.

Compensation levy, unless the General Commissioners decide otherwise on the facts of the case.

Amounts already allowed as a deduction in computing profits for assessment under Schedule D, *e.g.*, in the case of owner-occupied shops, market gardens, &c.

Repairs to property let on condition that the tenant bears the cost of all repairs.

Where land and/or houses are managed as one estate the total cost of maintenance must be included in one claim against the total annual value, &c. Whether or not there is "one estate" is a question of fact as to management; the physical contiguity of the property is irrelevant. Care must be taken to exclude expenditure on parts of the estate which have been sold.

In computing the five-years' average, the year is taken to March 31st, or such other date as is adopted by the owner with the consent of the Inspector of Taxes. In practice, the usual accounting date of the estate is accepted.

If a void claim has been made in the case of an empty house, so that no tax has been paid, no allowance can be obtained. If the house is part of an estate managed as a whole, however, the expenditure can be included. It is understood that the cost of maintaining an ancient monument, less fees received for admission, has been allowed to be included.

The claim should be verified by the production of receipted bills, accounts, books, &c. In the case of private houses, the claim is commonly made by reference to the dates of payment of accounts, as distinct from the date when the work was actually done. In the case of a dispute, it is well to talk over the matter with the Inspector. An appeal may, if necessary, be made to the General Commissioners, and in some cases it may be worth while to apply to the Board of Inland Revenue for a concession.

TAXATION NOTES

National Defence Contribution—Remuneration of Sole Traders and Partners

IT is common knowledge that the deduction for remuneration provided under Rule 12 of the Fourth Schedule, Finance Act, 1937, is only of benefit where the profits of an accounting period are under £9,500 per annum in a straightforward case. Where wear and tear allowances or losses are brought forward, however, the deduction may prove valuable where the profits greatly exceed that amount. As an illustration, suppose the profits, as adjusted for N.D.C. purposes for the accounting period of one year ending December 31st, 1938, are £21,000; that there is an allowable loss brought forward of £11,000; and that a wear and tear allowance of £3,000 is brought forward from pre-N.D.C. periods, of which £600 was allowed in the chargeable accounting period to December 31st, 1937.

The computation will proceed :—

	If no claim is made under Rule 12.		If a claim is made under Rule 12.	
Profits of chargeable accounting period, 1938	£21,000		£21,000	
Deduct				
Remuneration 15 per cent.	nil.		£3,150	
Loss brought for- ward	£11,000		11,000	
Wear and tear al- lowances, brought for- ward	2,400	13,400	2,400	16,550
		7,600		4,450
Abatement £12,000 - 7,600			12,000 - 4,450	
	5	880	5	1,510
		£6,720		£2,940
N.D.C. payable...	4%	£268 16s.	5%	£147 0 0

Appeals

At this period of the year, practising accountants are flooded with assessment notices under Schedule D which have to be examined with care to ensure that they are correct. If the assessment is inaccurate in any particular, notice of appeal must be lodged with the Inspector of Taxes within 21 days after the date of the notice. It must be remembered that even if accounts are in process of being, or have been, agreed, an appeal should be lodged if the assessment is not in the amount of the profits agreed or expected to be agreed. The only case where late appeals are authorised is where it is shown to the satisfaction of the Commissioners that owing to absence, sickness or other reasonable cause, the appellant was prevented from appealing in proper time.

Every notice of appeal against an assessment under Schedule D must specify the grounds of the appeal, although the Commissioners may allow other grounds to be considered at the hearing if, in their opinion, their omission from the notice was not wilful or unreasonable. The grounds should be stated briefly in general terms. It is rarely necessary to go so far as the classical "bad in law, erroneous in principle and excessive in amount." An appeal cannot be withdrawn (*ex parte Elmhirst*, 14 A.T.C., 509), but in practice most appeals result in an agreement of the assessment without the necessity of proceeding to an actual hearing.

Deductions for Sur-tax Purposes

The statutory total income upon which Sur-tax is assessed is that finally agreed for income tax purposes, *i.e.*, after deducting the amounts on which maintenance repayment has been made under Schedule A, or losses allowed under Sect. 34. It is

not always realised, however, that there may also be deducted :

- Any sum which the Treasury may allow for expenses in connection with a person in the service of the Crown abroad, which are necessarily incidental to the discharge of the functions of his office and for which no allowance has already been made (Finance Act, 1927, Sects. 42 (5)).
- Interest paid on death duties. This may be included at its gross equivalent, as if it were a net amount taxed at the standard rate.

In addition, of course, adjustments may arise under Sects. 33 to 35 of the Finance Act, 1937.

Estate Duty—Valuation of Shares

Practitioners are frequently called upon to make, for estate duty purposes a valuation of shares of companies which are not quoted on a Stock Exchange. Attention must be paid to Sect. 37 of the Finance Act, 1930, where the company (a) is so constituted as not to be controlled by its shareholders or by any class thereof, or has not issued (or is not about to issue) to the public, more than half the shares by the holders whereof it is controlled, and (b) was controlled by the deceased. In that case, any ordinary shares passing on the death are to be valued on an "assets" basis. In the case of deaths after July 29th, 1938, this value may differ materially from that in the case of a death at an earlier date, since Sect. 49 of the Finance Act, 1938, provides that in arriving at the net assets, instead of deducting, as hitherto, the par or redemption value (whichever is higher) of preference shares or debentures, there is to be deducted the principal value thereof, *i.e.*, the price they would fetch if sold in the open market on the date of death.

Taxation Internationally Compared

A paper prepared for the International Congress on Accounting by Mr. A. Stuart Allen, a member of the Council of the Society of Incorporated Accountants, gives a comparison of the taxation systems in various countries. An extensive summary of this paper is reproduced in a supplement given in this issue of ACCOUNTANCY. Mr. Allen draws attention to the various degrees of officialdom which exist in the matter of taxation, and remarks that since in Great Britain statutory requirements as to accounting books are of a partial character the State does not take powers of examination of records, the rights of investigation with which State officials are endowed being of a far more general character than obtains in many countries. Mr. Allen compares the machinery of assessment and collection of taxes, and analyses the procedure in relation to appeals in the various countries.

When the Courts are sitting it is proposed to publish reviews of current tax cases in the Taxation section of ACCOUNTANCY.

MUNICIPAL ACCOUNTS

Accounting for A.R.P.

Air Raid Precautions.—The local authorities for air raid precautions are the councils of counties, county boroughs, metropolitan boroughs, non-county boroughs, urban districts and rural districts.

Schemes.—Air raid general precautions schemes must be prepared by the several councils for the protection of persons and property from injury or damage in the event of hostile attack from the air. In addition, air raid fire precautions schemes must be prepared by councils, other than county councils (except the London County Council) and metropolitan boroughs. Joint committees of local authorities may be formed for these purposes. The schemes prepared by county councils may make provision as to the proportion of the expenditure incurred which is chargeable as expenditure for special county purposes.

Accounts.—Each local authority is required to keep such accounts of this expenditure as will enable statements of expenditure to be prepared in prescribed form (see Air Raid Precautions (Approval of Expenditure) Provisional Regulations, 1938) and also for submission to the district auditor.

Borrowing Powers.—It is significant that whilst the Air Raid Precautions Act, 1937, provides that a metropolitan borough council may, for the purposes of defraying any expenditure on this service, borrow money with the consent of the Ministry of Health (not of the London County Council, as is usual), there is no reference to the raising of loans for the purpose by any other local authority. It may be that provincial local authorities will exercise their borrowing powers under the Local Government Act, 1933.

Expenditure.—The amount which a local authority may legally spend for this service is not limited to approved grant-aided expenditure. A council may spend what it pleases, whether the expenditure be in pursuance of an air raid precautions scheme or otherwise. Grant-earning expenditure is, however, limited to that incurred and approved by the Secretary of State after December 31st, 1936. The expenditure in respect of schemes approved for local authorities, other than county councils, is chargeable to the general rate fund.

Capital Expenditure.—In estimating expenditure on this service, expenditure of a capital nature, whether defrayed out of borrowed moneys (by loans raised specifically for the purpose either from outside sources or from accumulated funds at the local authority's disposal, or by issues out of a consolidated loans fund, or mortgage pool) or out of revenue, is estimated on the basis of the appropriate loan charges.

For this purpose, the term "appropriate loan charges" means the amount which would be payable by a local authority in any year by way of loan charges in respect of moneys borrowed for the purpose, on the assumption that the money had been borrowed on terms under which it was repayable by equal annual instalments of principal and interest combined over the period sanctioned by the Secretary of State after consultation with the Minister of Health and at the rate of interest at which the money was borrowed or at the rate for the time being fixed by the Treasury in respect of loans to local authorities advanced out of the local loans fund for expenditure of a similar character, whichever is the less. In the case of capital expenditure defrayed out of revenue, the rate of interest is calculated on the basis of the rate fixed by the Treasury. In calculating the total capital expenditure of a local authority on this service, it is permissible to include the cost of raising loans and a proportion of the expense of management of loans. Where property acquired for air raid precautions is disposed of or appropriated for other purposes before the expiration of the loan period, adjustments will be made in the loan charge figure included in the calculation for grant.

Approval of Expenditure.—Regulations which apply to the approval of expenditure on both general precautions schemes and fire precautions schemes have been issued (Air Raid Precautions (Approval of Expenditure) Provisional Regulations, 1938). All expenditure for which approval is sought must be wholly incurred on air raid precautions schemes. No expenditure incurred for the purpose of protecting from injury or damage in the event of hostile attack from the air, persons employed in or property belonging to or appropriated for the use of any water, gas, electricity, transport, harbour or dock undertaking, whether carried on by a local authority or not, will be approved for grant purposes. Expenditure on both capital account and revenue account incurred either by the local authority or under arrangements with other authorities, must be approved by the Secretary of State before it can rank for grant.

Application for Approval of Expenditure.—For the purpose of obtaining the approval of the Secretary of State to expenditure incurred on this service, the local authority is required to submit, as soon as may be after the end of the financial year, a statement on the prescribed form of the expenditure incurred in that financial year, duly certified by the chief officer or other person charged with the duty of keeping its accounts, together with such further documents as may be required, and facilities must

Payments on Account of Grants.—Under Part I of the Schedule of the Air Raid Precautions Act, 1937, a payment on account of grant is made by the Secretary of State to a local authority each half-year on the basis of estimated expenditure of approximately 90 per cent. of the standard percentage (see Home Office Circular 701078/26G, August, 1938) of the council's approved expenditure in that half-year. Lump sum capital grants may be made and paid by instalments in certain approved cases. Subject to the conditions of grant, the final payment of grant in any financial year is made as soon as possible after the amount of the council's expenditure in that year has been approved by the Secretary of State under the regulations.

WAR OFFICE NOTICE Officers' Emergency Reserve

The attention of Incorporated Accountants is drawn to the Officers' Emergency Reserve, which is under the Army Council. Candidates must be between 31 and 55 years of age, and must not be on the Regular Army Reserve or the Supplementary or Territorial Army Reserve of Officers. Professional or technical qualifications are required, and Incorporated Accountants either with or without military experience are eligible, subject to the fulfilment of other conditions. Applications may also be considered from those having previous military experience who may not possess a technical or professional qualification, provided they are not for any reason able to join one of the aforementioned reserves. In both cases a knowledge of foreign languages and intimate acquaintance with any parts of the British Empire and/or foreign countries will be taken into consideration. Applicants must give an honourable undertaking to present themselves for service under the War Department if and when called upon to do so, and they must be British subjects, the sons of British subjects and of pure European descent. A good standard of health is necessary: the use of glasses does not disqualify.

Those desiring to apply should communicate briefly with the Under-Secretary of State, The War Office (A.G.5.Mob.), Whitehall, S.W.1, and request form of application A.F.E564A. The application when made on Form A.F.E564A should be accompanied by two responsible references from persons who have known the applicant for four years.

No guarantee can be given that immediate use will be made of the services of all members of this Reserve. In the event of mobilisation those whose names are registered should not write or call at the War Office: they will be notified when they are required.

LETTERS TO THE EDITOR

Milk Marketing Board and Distributors.

SIR,—Ever since the Milk Marketing Board came into existence we have been concerned with its effect on the profits of the distributing side of the trade. The very general opinion we have formed is that, whoever may be deriving any benefit from the Board's activities, it is not the private distributor.

The following are the actual figures of a distributing business which should speak for themselves. The Milk Marketing Board began to function in 1934.

	Turnover.	Net Profit.
1932	£17,144	£2,084
1933	17,432	2,169
1934	17,763	1,277
1935	20,319	1,278
1936	21,270	1,057
1937	20,339	277

In all years the net profit is calculated before charging anything for interest on capital or for the salaries of the three working proprietors.

There is another aspect of the case. Partly as the result of more stringent regulations, capital expenditure has been much heavier since the formation of the Board. The capital expenditure of the period, excluding any money spent on premises, is as follows:—

1932	£293
1933	320
1934	499
1935	534
1936	316
1937	1,055

In 1932 the cost of milk for the year was 61.7 per cent. of the selling price; in 1937 it was 71.1 per cent.

From our knowledge of the business illustrated we are convinced that the change in the figures is almost entirely attributable to the operations of the Board. If this is so, other private distributors must be affected in much the same way, and we should be very glad to hear from other members of the profession who have had a similar experience.

We have the permission of our clients to write this letter, but, for obvious reasons, we sign ourselves,

PROVINCIAL ACCOUNTANTS.

September 1st, 1938.

Interchange of Accountants' Clerks.

SIR,—I was very interested in the remark in your report (in the September issue) of Lord Stamp's recent lecture on Anglo-American relations, on the subject of interchange of accountants' clerks between this country and the United States.

It seems to me that it would be possible to arrange such transfers. They are carried out regularly in the religious ministry and in the teaching profession with, admittedly, great benefit to all concerned. I am sure that individuals and our profession as a whole would be equally benefited by similar interchanges.

The views of members of the Society on this matter would be interesting.—Yours faithfully,

(Signed) W. WHELDON WRIGHT.

Macclesfield.

September 3rd, 1938.

PUBLISHED ACCOUNTS**Points from Published Accounts**

Calico Printers' Association.—For a company whose book assets exceed £11 million, the Calico Printers' accounts cannot be ranked among the most informative. The directors' report recapitulates the year's loss, and shows how the profit and loss is restored to credit with a further transfer of £50,000 from general reserve. It sets out changes in the directorate and the retiring auditors. But it does not even mention that the board have reduced directors' fees from £10,800 to £4,500, as shown by the profit and loss account. Not only does the report fail to explain the course of the year's trading but it makes no reference to a rather perplexing change in the balance sheet. Fixed assets are entered at £5,559,203 gross (compared with £5,544,289 at the end of the preceding financial year). The credit on depreciation account has been raised from £945,126 to £1,080,258, but a sum of £200,000 has been transferred from the latter to capital reserve account. The net balance on depreciation account is thus £860,258, and the net value of fixed assets, after depreciation, stands at £4,698,945. The difficulty, however, is to trace the £200,000 transfer to capital reserve in the balance sheet. This reserve, which stood at £1,000,000 at the end of June, 1937, has been raised to only £1,100,000. It would appear, therefore, that a transfer of £100,000 has been made from this account, presumably for writing down one of the asset items. No mention of this possibility, however, can be gleaned from the report.

Odeon Theatres First Report.—The preliminary statement of profits of Odeon Theatres made no reference to the length of the company's initial trading period. The report makes it plain that this consisted of 54 weeks from June 14th, 1937, to June 25th, 1938. Difficulties are almost invariably encountered when comparing the initial trading results of a new company with prospectus estimates, but in this case the directors provide their shareholders with an analysis of the rather complicated basis of the initial trading period. The profits of 73 cinemas attributable to the company for the period from January 2nd, 1937, to June 14th of that year have been placed to reserve. The "owned" theatres, it is stated, produced profits which were within 7½ per cent. of the prospectus estimate. As many as twenty-seven of the managed theatres, however, were only completed within the year, and some were only open for a few weeks. The directors re-affirm that the results indicate that profit for a "full year"—which to all intents and purposes should mean the current year—should at least reach the prospectus estimate of £460,000. The actual theatre profits disclosed for the initial period was £335,026. This figure is not described in detail in the accounts, but the report suggests that it is struck after "depreciation, equalisation, reserve for repairs and renewals and amortisation of leasehold property." A reserve covering these items appears in the balance sheet at £37,957. After taking account of final dividends and taxation reserve, net current assets amount to less than £50,000. Realisation of prospectus

estimates, therefore, would give the directors the opportunity, if they elected to follow a conservative dividend policy, of making adequate depreciation provision, of reducing the item for preliminary expenses, which stands at £170,640, and of strengthening cash resources.

Eastwoods Grouping.—The precise form of the organisation of the Eastwoods group has an important bearing on the Eastwoods Limited accounts. The report for the year to March 31st, 1938, shows that "profit from brickfields, wharves, barges, properties, investments and sundries less depreciation (including receipts from subsidiary companies)" amounted to £78,532. Some dissection of the profits according to their various sources would probably be welcomed by the investor. At the date when the parent company's accounts were published, the Eastwoods Cement and Eastwoods Flettons reports, to March 31st last, had already appeared, but Eastwoods Lewes Cement report to June 30th had not been published, and the report of Eastwoods Humber Cement to December 31st next is not due until next April. It is, accordingly, difficult to estimate from the report the exact period to which the various constituents of reported profits refer. This is a point to which directors of holding companies might well give attention.

Trojan (Holdings).—In this report, as in that of Eastwoods Limited, the problem of determining the periods to which constituent profits refer is again in evidence. Here the main items of income are dividends received during the year to August 14th, 1938, from Trojan Limited and Beans Industries. The balance sheet of Trojan Limited, which is published with the report of the Holdings company, shows that dividends paid on the ordinary capital during the period from June 30th, 1937, to April 30th, 1938, amounted to £26,250 (presumably gross) compared with a gross figure received by the Holdings company, during its own financial year, amounting to £21,125. Presumably, therefore, the Holdings company shows the final dividend paid in the period to June 30th, 1937, and an interim dividend for the current year, received from the Trojan company itself.

Strand Electric Clear Accounts.—The method adopted by Strand Electric Holdings, to display the course of profits from the point where they are earned by the operating company and its subsidiaries to the point where they are distributed by the parent company, is as clear as could be wished. The consolidated profits statement of the operating companies commendably gives a gross profit on trading figure for the year to April 30th of £50,168. Selling and other expenses, set out in detail, absorb £33,047, and after other provisions the dividend paid to the parent company is clearly shown at £12,149 gross and £8,808 net. This is the figure which appears in the parent company's accounts for the year to July 11th, 1938. Nothing could be clearer and more straightforward. The balance sheet of the Holdings company gives effect to the final divi-

dend to be paid, and is supported by a consolidated statement of assets and liabilities of the operating group. This company, whose issued capital is no higher than £115,000, provides an example in its accounting which might well be followed by other companies whose resources are ten, or even a hundred, times larger.

Prompt Gestetner Accounts.—The report and accounts of D. Gestetner for the year to August 31st were issued with great expedition on September 5th. The document itself was reproduced by the company's machine, and the speed with which it was produced is a neat advertisement for mechanisation in the office. Since the company's profits have been subject to practically the full force of recession during the past year the reduction in trading profits and investment income from £237,623 to £236,722 is moderate indeed. The balance sheet is neatly set out, with the usual order of assets reversed, for cash and liquid assets appear

first, followed by fixed assets and "intangibles." The latter consist of patents and goodwill valued at £1 and, like the De Beers diamond stocks which are habitually valued at the same figure, their value is clearly an understatement. There can be few industrial concerns which operate on so generous a basis of liquid assets. Dissection of the balance sheet reveals that, out of the total assets of £987,917, cash, investments, sinking fund policies, debtors and stocks together amount to £738,629, while interests in subsidiary and other companies total £122,680, leaving only £126,608 represented by fixed assets. After giving effect to the payment of the final preference and ordinary dividends, and to the transfer to taxation reserve from latest profits, net current assets amount to £502,513. There is one suggestion which might be considered regarding the accounts, namely, that space might be provided for the previous year's comparative figures.

FINANCE

The Month in Finance

The Markets Unnerved.

The financial world was dominated by international politics during September to the exclusion of almost every other topic. The critical days of the month could not fail to be an extraordinary testing time for all sections of the City, which almost overnight was called upon to face up to the immediate possibility of war. On the fateful Wednesday after the Sudeten ultimatum had expired, and before Mr. Chamberlain had decided upon his flying visit to Germany, there was excitement enough and to spare. The Stock Exchange came as near to ceasing business as it could do without actually closing its doors. War Loan dropped four points and its price was quoted with a two-point spread. Industrial shares fared as badly as gilt-edged, except that there was less actual liquidation—for the good reason that it was infinitely more difficult to deal at all. Commodity values rose steeply, wheat in Liverpool experiencing the biggest jump within living memory. Lloyds underwriters gave notice of cancellation of war risk in all open covers, and premiums soared to fantastic heights.

Short-circuiting the Stock Exchange.

The present month should see a decision on the proposed modifications put forward by the Committee for General Purposes at the beginning of August in the rules by which the Stock Exchange governs its domestic affairs. The changes are an attempt to place on a more satisfactory basis the vexed question of "direct" dealings, particularly in the gilt-edged market. The marrying of transactions between two principals is, of course, perfectly permissible; it is,

indeed, the ultimate purpose of the whole Stock Exchange machinery. Generally speaking, experience has shown that this pairing-off of ultimate buyers and sellers can best be effected with the aid of two types of intermediaries: brokers to enable contact to be established between those wishing to buy and to sell at any one time; jobbers to bridge the gap between those wishing to buy and sell at different points of time. In recent years, however, the proportion of transactions in gilt-edged settled without recourse to the normal machinery has undoubtedly increased considerably. A broker with a large insurance practice, for example, or the select group of firms in close relations with the powerful discount houses, find numerous opportunities of marrying transactions between their principals directly, instead of buying and selling through a jobber. If this can be done with benefit to the client it has the complete approval of the existing rules; but the jobbers believe that the proviso is not always observed. The changes in the rules would have the object of placing upon a broker dealing with a non-member the onus of proving that this short-circuiting of Stock Exchange channels resulted in his client obtaining better terms than were available on the floor of the House. A broker dealing direct would be required first to obtain a quotation from a jobber, and, if challenged, to be able to show that this had been done. For psychological reasons—and also perhaps on account of the exigencies of time and space—it is believed that the result would be to divert back to the Stock Exchange much legitimate business which has recently escaped it. The suggested modifications have not won

universal approval, and the Committee's announcement was followed by the setting up of an informal committee of brokers to consider the matter. No member of this committee would admit that its purpose was to do anything more than discuss the changes; but in fact it is in a mild way an opposition group. There is a feeling among brokers, no doubt unjustified, that jobbers have predominance on the general Committee, and might tend unconsciously to see things occasionally from a sectional point of view. It is to be hoped that this thorny matter will be settled satisfactorily for all parties.

The Press and Company Meetings.

Mr. Graham Cunningham, of Triplex, one of the most enterprising of company chairmen, this year made a bold departure from precedent in inviting the financial press to ask questions of the Board at the company's annual meeting on equal terms with shareholders. From many points of view the experiment was an interesting one. It exemplifies, among other things, the improvement in the status of the financial press during the past generation. Delving recently into some newspaper files for July, 1914—a great deal of research into that particular period has been going on recently—the present writer was reminded that at that time the press was still fighting to establish the principle of its admittance to meetings. A directory was actually compiled of companies which still held their meetings in private, and the public was warned against holding their shares. While there may have been good arguments for the exclusion of the press at that time—the standard of responsibility and disinterestedness among financial writers has since risen enormously—the attitude of the press was not based upon mere vindictiveness. A company holding its meeting in private need not necessarily have anything to conceal, but the press is infinitely better placed to advise from an investment angle when it is admitted to a company's meeting. Nor is this merely a question of the additional information contained in the chairman's speech. The single hour spent at the meeting often yields a knowledge of the company's record and prospects, of the shareholders' feelings and interests, above all of the board's character and calibre, far greater than can be obtained from the most painstaking scrutiny of its accounts. In any event, that cause has long been won. Representatives of the financial journals, and of the City offices of the popular press, now attend the meetings of almost all public companies as a matter of course, and there is little doubt that the investing public has greatly benefited from this co-operation between companies and the press. Whether still more useful results could be achieved by raising the status of the financial journalist from that of a mere spectator to that of an active participant in the fray is more open to

question. The average shareholder might well feel a certain petulance at finding his one opportunity in the year for telling his directors what he really thinks of them usurped by some self-appointed guardian of his interests. There might also be a tendency for the ordinary investor to hang back and leave it to the reputed specialists to elicit any information not vouchsafed in the chairman's speech—which would be a pity. Other objections would no doubt present themselves. On the whole, therefore, while appreciating the compliment which Mr. Cunningham has paid them by recognising them as a "fourth estate" in company affairs, financial journalists would probably be the last to urge other chairmen to follow his example.

Sterling Depreciates

Developments in the monetary field have been exceptionally interesting, for both in the exchange market and in the discount market the effect of the crisis was to accentuate already existing trends. The rise in the dollar had, of course, been proceeding for several months—at one time in the spring of this year the rate was over 5.03 to the £—, and the subsequent decline has been only in part attributable to the political anxieties which have prompted Continental holders of sterling to transfer their funds from this country to the United States. Fundamentally, it has been caused at least as much by the remarkable export surplus of 1,000 million dollars which the United States has developed during the past year as a result, partly, of the halving of her imports. With a strong movement of capital superimposed upon this fundamental source of strength, it has not unnaturally required large shipments of gold from this country (probably over £100 millions since the end of March) to prevent a still more drastic depreciation in sterling.

Rise in Short Money Rates

One effect of these heavy losses of gold by the Exchange Account has been to cause a reduction on the deposits of the clearing banks at the Bank of England, which are the basis of credit throughout the country. If foreign money is taken out of the country or used for purchasing gold from the Exchange Fund, the actual mechanism of these operations is a transfer of money out of "bankers' deposits" into "public deposits" at the Bank of England. That credit only percolates back into circulation as a result of Treasury spending in excess of revenue, through the redemption of Treasury bills, &c., and when the losses of gold are very heavy the Exchange Fund accumulates sterling faster than it can be paid out again. Hence the political crisis found bankers' deposits already at an exceptionally low level and this fact must undoubtedly have influenced their decision completely to suspend purchases of bills in order to build up their cash reserves. For the discount market this meant that it was impossible to resell any large proportion of the bills for which it had paid, and discount rates therefore rose sharply—to a level higher than at any time for two years.

LAW**Legal Notes****COMPANY LAW**

Where director of head company, at request of the Secretary of that company, lends money to subsidiary companies for the benefit of the head company, the head company does not ratify the transaction, and the Secretary has no borrowing power, the director cannot recover.

In *Re Cleadon Trust Limited* (1938; 1 Ch. 660) a director had made advances to two subsidiary companies. The directors of the head company and of the subsidiaries were the same persons, and the same person was Secretary of all three companies. The advances were made at the request of the Secretary and were for the benefit of the head company. The Secretary had no authority to borrow on behalf of the head company, and all the transactions were without the sanction of a resolution of the board of directors. At a subsequent meeting of the board a resolution was passed to the effect that the advances made by the director be confirmed. Only two directors were present at the meeting, including the plaintiff. The facts were never communicated to the shareholders, who did not pass any resolution recognising that the director was a creditor in respect of the sums in question. The head company went into voluntary liquidation.

In his judgment Bennett, J., pointed out that the question was one upon which there was no direct authority. He held, however, that a limited company could not be held liable to repay moneys advanced for its benefit at the request of its Secretary. A secretary had no authority to make such a request or to involve the company of which he was secretary in liability. It was admitted on behalf of the liquidator that the payments were made in the expectation that the company would repay them and that the company benefited from the payments.

Bennett, J., found that the advances had not been made at the request of the head company, and that no resolution of the directors could convert into fact something which never had been a fact. If the intention was to ratify on behalf of the company transactions entered into by the company's agents without authority, the resolution was inoperative because it was not passed by a competent quorum. (By Article 116 the director was precluded from voting on a matter in which he was interested.) Bennett, J., found that the arrangement was not one by way of indemnity, but was merely an attempt to ratify unauthorised transactions. The Judge pointed out that, although the director held a majority of the shares, there were 62 other shareholders who were entitled to insist upon the directors of the company acting in accordance with the articles of association.

EXECUTORSHIP LAW AND TRUSTS

Duty of personal representative to perform all contracts of the testator or intestate that can be enforced against him—Whether completion of a contract will be for benefit of the estate is not material—Onerous contracts.

In *Ahmed Angullia Bin Hadjee Mohamed Salleh Angullia v. Estate and Trust Agencies (1927), Limited* (1938; A.C. 624), the Privy Council had recently to consider the duty of a legal personal representative in regard to contracts entered into by the testator or intestate. In this case the intestate had entered into a contract with a building contractor for the erection of six shops on part of settled land. In delivering judgment, Lord Romer re-affirmed the law, namely, that *prima facie* it is the duty of a legal personal representative to perform all contracts of his testator or intestate that can be enforced against him whether by way of specific performance or otherwise. It is otherwise when the contract is not enforceable against him, although it is settled that he is not bound to plead the Statute of Limitations and may pay a statute barred debt, unless it has been judicially declared to be so barred. In the case of an enforceable onerous contract, the representative ought not to neglect any opportunity of agreeing with the other contracting party terms that might be beneficial to the estate. But the breaking of an enforceable contract is an unlawful act and it can never be the duty of an executor or administrator to commit such an act.

Will—Directions to accumulate income—When possibility exists of period of accumulation exceeding the period of 21 years permitted by Law of Property Act, Sect. 164—Rights of next of kin.

In *Berry v. Geen*, A.C. 575, the House of Lords recently affirmed an important decision affecting trusts created by will, where annuities are payable with a direction to accumulate the balance of the income of the residuary estate until the death of the last personal annuitant.

The testator gave and devised all the residue of his estate to trustees upon trust to pay certain annuities out of the income of the residuary estate to named persons for their respective lives. Such of the annuities as were given to institutions were to cease "on the death of the last personal annuitant." During this period the testator directed that the balance of the residuary estate and the resulting income should be accumulated and invested, but that any deficiency in income in any one year might be made up from the surplus income of any other year. Subject as aforesaid he gave all his property, after the

death of the last personal annuitant, to the Congregational Union of England and Wales. There were forty such annuitants, so that it was probable that the death of the last of them would not happen until after the 21 years permitted by Section 164 of the Law of Property Act, 1925.

The testator died in 1925. Thus there was a gap in the declared trusts of the surplus income from 1946 to the death of the last personal annuitant. Under the Law of Property Act, 1925, Section 164, such income after 1946 must go to "the person or persons who would have been entitled thereto if such accumulation had not been directed." It was argued that the residuary gift to the Congregational Union carried the surplus income directed to be accumulated and which had become released by virtue of this Act.

It was pointed out by Lord Maugham, L.C., that if a specific fund is directed to be accumulated for a period beyond that allowed by the Act, all such income not validly disposed of by the testator will generally pass under the residuary gift; but if the direction referred to the income of residue, then the released income was undisposed of, and would devolve upon the next of kin. He held that in this case it was clear that the Congregational Union received nothing until the death of the last personal annuitant. The material words "after the death of the last personal annuitant" could not be disregarded.

Upon that construction of the will it was clear that the rule in *Saunders v. Vautier*, 4 Beav. 115, did not apply (under this rule such income is voidable as against a donee as repugnant to an immediate gift of the property to him, where the accumulation is for his benefit and merely postpones the enjoyment). Lord Maugham pointed out that this rule cannot operate unless all the persons who have any present or contingent interest in the property are *sui juris* and consent. In this case there was no consent on behalf of the persons who had rights as next of kin, and the difficulty was that the residuary legatees had no right to the released income.

MORTGAGE (RECEIVER)

Powers of a Mortgagee in possession to appoint a Receiver under Law of Property Act, 1925, Sect. 101.

In *Refuge Assurance Company Limited v. Pearlberg* (1938; 1 Ch. 687) the Court of Appeal had to decide a short point of law, namely, whether the fact of his having entered into possession prevented a mortgagee from appointing a receiver under sect. 101 (1) (iii) of the Law of Property Act, 1925. The plaintiffs went into possession in October, 1933, and appointed a receiver three weeks later. The point to be determined was, what was the effect of that appointment? Did it leave the plaintiffs still in possession and thereby accountable on the footing of wilful default, or should

the plaintiffs be treated as having gone out of possession when they appointed the receiver? The Court of Appeal confirmed the decision of Simonds, J., namely, that the plaintiffs should be treated as having gone out of possession when they appointed a receiver.

In his judgment, Sir Wilfrid Greene, M.R., referred to the Law of Property Act, 1925, sects. 101 and 109, and pointed out that the powers conferred were to the same extent as if they had been given in a mortgage deed; thus a statutory term imported into the mortgage deed regulated the contractual relations between the parties.

The Court of Appeal held that, as a matter of pure construction of the language of the sections, the words in which the power to appoint a receiver is expressed are not limited so as not to apply where the mortgagee is in possession at the date when he makes the appointment; otherwise a fantastic result would be produced, under which at one and the same time there would be a receiver appointed under the section and a mortgagee having possession outside the section. They found that the words of the section were clear, and that it was not proper to read into the statutory provision any implied term, qualification or proviso. The net result of this decision is therefore that the power of appointing a receiver under sect. 101 may be exercised even after a mortgagee has gone into possession.

DECEASED LIFE TENANTS.

A reader, referring to the article in our September issue, draws attention to the following propositions put forward by a correspondent in a recent issue of *Law Notes* :—

- (1) *Trust for sale on determination of life tenancy* :
No apportionment is permitted in favour of life tenant's estate where the stocks and shares are sold cum div. (*Scholefield v. Redfern* (1863), 2 Dr. & Sm. 173) or appropriated cum div.
- (2) *Trust for division IN SPECIE on same event* :
(a) *Stocks and shares sold cum div. in due course of administration (e.g., to meet legacy duty and expenses)* :
No apportionment is made in favour of life tenant's estate.
(b) *Stocks and shares divided IN SPECIE amongst the remaindermen, or sold cum div. either at their request or in order to facilitate division* :

Representatives of life tenant are entitled to an apportioned part of any dividends paid on such stocks and shares in respect of a period in which the life tenant's death occurs. Both these cases appear to be covered by *Bulkeley v. Stephens* (1896), 2 Ch. 241. If the stocks are sold cum div. in the circumstances stated, such sale would be made "not in the execution of any trust or power for sale vested in the trustees." (*Ibid.* at p. 250.)

(c) *Trustees exercise their powers of appropriation owing to stocks and shares not being divisible into aliquot parts.*

Here it is suggested that the life tenant's rights are the same as under 2 (b), since any appropriation under sect. 41 of the Administration of Estates Act, 1925, must be made according to the respective rights of the persons interested in the property of the deceased, and if an appropriation were made without regard to the rights of the life tenant, the trustees might be liable for breach of trust in not holding the scales evenly

between the beneficiaries. (See *In re Brookes* (1914), 1 Ch. 558.)

The correspondent in *Law Notes* openly admits that these propositions are in conflict with the decisions given this year in *Winterstoke's* case and *Firth's* case, but claims in effect, and possibly with some justification, that since these two decisions are conflicting they should be regarded as limited to the particular cases concerned, and that the decision in *Bulkeley v. Stephens* which has been followed for a long number of years should still be relied upon as authoritative.

STUDENTS

Single Entry

Questions involving the application of single entry methods can be presented in such a variety of forms that deliberate thought is usually required from the student in place of the semi-mechanical application of set rules. These questions become a good deal easier to solve if three fundamental points are kept clearly in mind.

First, what is the problem? Second, what principles are to be applied in order to find a solution? Third, how are the details of the solution to be worked out once the main line of approach has been decided?

The answer to the first question is easy enough. The problem is, of course, how to ascertain profit or loss and to present a statement of the concern's affairs when the available data is only a collection of apparently unconnected facts and, in particular, when the trial balance, the characteristic feature of double-entry book-keeping, is lacking.

There are two alternative principles which can be applied in order to find a solution and it is of prime importance that the student should be able to determine from the appearance of a specific question which of the two approaches is to be used. Where the available data is very sparse and where it is not possible to construct a cash account, the profit or loss must usually be found by a comparison of the capital at two points. The capital of the concern (*i.e.*, the assets less the liabilities) at the two points marking the beginning and the end of the given period can usually be found without a great deal of difficulty. If the closing capital is greater than the opening capital, two factors can be brought forward to explain the difference. The first is that fresh capital might have been introduced by the proprietors; the second is that the concern itself has made a profit. In other words, the increase of capital may be due to external or internal causes, or, to put the matter more generally, the opening capital is linked to the closing capital by only two factors, namely, by the introduction or withdrawal of capital by the proprietors or by the making of a profit or loss. The corresponding

equation would be: opening capital plus profit plus capital introduced minus loss minus capital withdrawn equals closing capital. Either profit or loss must be sought. If all the factors except one are known, the calculation of the missing one is an easy matter. It should be noticed that this approach only yields the amount of profit or loss without any explanatory detail, but *provided* the information is quite accurate—it is not likely to be—then the amount of profit or loss is the same as that which would be found by the most elaborate book-keeping system.

Alternatively, if sufficient information is available to construct a cash account covering the period, the second approach can probably be used. In this case it will usually be possible to build up a set of double-entry accounts to cover the whole period, although details—more particularly, details of the personal aspect of the transactions—could not be given. This miniature set of double-entry records is opened by a journal entry showing the position at the commencement of the period, and, provided sufficient information is given (or can be inferred) to permit the construction of four accounts—cash account, bank account, debtors' account and creditors' account—the completion of the double entry will bring about the emergence of a set of accounts from which, after the customary adjustments for depreciation, expenses accrued due, and the like, final accounts may be prepared in the usual way. The merit of this method is that it provides not only the amount of profit or loss but also, through the trading and profit and loss accounts, a certain amount of information regarding the way in which such profit or loss has been made.

Once these two principles are fully appreciated and distinguished, then the details given in textbooks can soon be mastered. If the first approach is to be used, then the solution may be set out in the form either of a straightforward computation or of the more formal statement of profit. Information sufficient to complete one will permit the use of the other and there is little to choose between

them. A statement of affairs at the end of the period is added in each case. This sometimes causes a little difficulty but it becomes very simple if the student realises that the figures he has already used to ascertain closing capital have only to be rearranged in conventional form to provide the statement of affairs. The closing capital is of course one figure in this statement of affairs, and it is then only necessary to add a short column showing how the opening capital has changed into the closing capital.

When the second approach is used, the keystone of the whole structure is the cash account (or the combined cash and bank account). Given this, the rest emerges almost mechanically. It is usually advisable to begin with the bank account and then

to proceed to the cash account. Once the double entry for each item in these accounts is completed, attention may be given to the accounts for debtors and creditors. These may be a little complicated by returned cheques, bills, discounts, and so on, but the four main figures in each case will be the opening balance, the closing balance, cash and/or cheques, and either sales or purchases. The important point to notice is that if *any* three of these are given, the fourth may be deduced.

If the objective to be attained and the outline of the method to be used are kept clearly in mind, the solution of any particular problem along these lines has much the same interest as a jigsaw puzzle, each piece of information having to be locked into place as part of a whole.

The Month's Literature

Income Tax and N.D.C. under the Finance Act, 1938. By T. J. Sophian, Barrister-at-law. (Solicitors' Law Stationery Society. Price 15s. net).

Complete Practical Income Tax. By A. G. McBain. (Tenth Edition. Gee & Co. Price 7s. 6d. net).

The Finance Act, 1938, contains an unusually extensive amount of new legislation couched in terms which, even to those well used to studying Income Tax Acts, are extremely difficult to understand. Mr. Sophian's book elucidates the complexities, consisting as it does of explanatory notes to each part of the Act, in which he reviews the effect of the new Act on the old law, with detailed annotations of each section, showing the purpose as well as the effect of the legislation. Relevant sections of earlier Acts are printed in an Appendix and there are the usual tables of cases and statutes and a good index. Accountants who have to assimilate the new law regarding the prevention of tax avoidance will welcome this work. On pages 3 and 7 it is not made clear that the tenant can only defer paying that portion of the Schedule A tax *deductible from rent* which exceeds the next payment of rent; he cannot defer payment of tax on beneficial occupation. On page 11 it is stated that the "depreciation of factory allowance" can only be claimed by the owner-occupier; this overlooks the provision that a tenant on whom falls the burden of the depreciation is entitled to the allowance. The general note on Section 26 (page 44) appears to be unduly restrictive. Mr. Sophian states that the section "does not apply to all trades." This seems to be in contradiction to the words of the section, which applies to "any trading stock belonging to the trade at the discontinuance thereof." The section would apply equally to stock that had depreciated in value. Since the notes should be read in conjunction with the words of the Act (reproduced), these criticisms do not detract from the usefulness of the work, which deserves a place in the library of every practising accountant.

Mr. McBain's work has reached its 10th edition in the short space of thirteen years. Considering the number

of books on the market this is no mean achievement. The absence of an index continues to irritate the reader who wishes to use the book for reference purposes. The work is evidently intended to be a "primer" for students rather than a comprehensive handbook for office use. It has many desirable features, explaining the law and practice in understandable language. What might be termed the "advanced" portions of income tax are either omitted or dealt with in the broadest outline only. There is, therefore, hardly any mention of the provisions of the Finance Act, 1938, except in its effect on personal and similar computations of a straightforward nature. Bearing in mind the obvious intention of the author and the limitations which he has placed on his text, the book is well done.

Sales Analysis from the Management Standpoint.

By Donald R. G. Cowan. (The University of Chicago Press. Price 9s. net.)

The outstanding feature of this work is the insistence upon practical value in every line of research. Sales analysis can so easily defeat its object by over-elaboration, but the author of this volume wisely makes the utility of results the foremost consideration. He shows the application of analytical methods to a wide range of sales problems encountered in many and various classes of commerce. In a chapter which deals specially with the co-ordination of selling effort with trade possibilities, consideration is given to the rival expenditures of effort which characterise the competitive system and which by common consent must be wasteful. The entire elimination of these methods can only be achieved by regulated or governmental monopolies in each industry. In such a system, however, the incentive to serve more efficiently would be weaker, but there is no reason why waste should not be eliminated to a large extent even whilst competition is rampant. Mr. Cowan considers directional efforts for the elimination of waste, and summarises his conclusions by pointing out that

for the purpose of improving profits management may direct the component elements of effort so that these elements are applied in closer relation to the potentialities of different portions of the market. No work on this subject could be considered complete if it failed to draw attention to the fact that the conclusions are necessarily subject to limitations. The author is fully aware of such limitations and calls for all decisions to be tempered by judgment. The volume is a valuable addition to the ever-growing library on management subjects.

Costing Simplified. By Harold James Wheldon. (Macdonald & Evans. Price 5s. net.)

Mr. Wheldon, in his preface, states that his book is intended primarily as a simplified text-book for the use of students. It can be well recommended both as a text-book for all professional accountancy examinations and as a guide for those entrusted with the installation of costing systems in a variety of businesses. The author has adopted the generally accepted terminology of the profession and his definitions are both sound and explicit. The use of the term "overhead expenses" instead of "oncosts" is admirable, and care has been taken to avoid the use of any terms which might tend to confuse the student. Various examples and rulings are interpolated in the text, compelling their study in the reading of the book, and not grouped at the end as in so many text-books. The examination questions culled from the examination papers of such bodies as the Society of Incorporated Accountants, the Institute of Chartered Accountants, the Institute of Cost and Works Accountants, and the Royal Society of Arts, which the author has selected as a test on each chapter, make the book particularly useful for the student who has to work without a tutor.

The illustrations of the common forms of time-recording clocks and time cards enable the student to visualise these helps to costing more clearly than much explanation could do, whilst the chapter on "Mechanical Aids to Costing," setting out the principles of the various "punched-card" systems, is clear without being too involved and detailed. The arguments for and against the inclusion of interest on capital as an item of cost are clearly set out. A useful feature of the book from the student's viewpoint is the full chapter headings at the beginning of the book.

Overseas Trade and Export Practice. By G. T. MacEwan. (Macdonald & Evans. Price 12s. 6d. net.)

By stressing the importance of a broad outlook on the part of business men, Mr. MacEwan has himself set the standard by which the work is to be judged. His approach is scholarly and practical and he writes with authority.

There are a few faults of manner and selection. Thus in the chapter on industrial combination, and else-

where, unnecessary emphasis is placed on rationalisation—"old amalgamation writ large"—while the trend towards cartellisation of the British coal industry is not even mentioned. When he writes on Government and other services, Mr. MacEwan discusses the Institute of Industrial Psychology, P.E.P., and other matters of lesser importance, but ignores the outstanding significance of the subsidy to British tramp steamers. The important chapter on financing overseas trade is comprehensive, but rather too much space is devoted to theory. The work, however, is of a kind for which the demand is likely to be continuous, and the author will be able to consider these and other points on re-printing. In this case it might be desirable to incorporate the chapter on the Government and other services, together with statistics on the direction of Britain's foreign trade, in a more comprehensive appendix.

Mr. MacEwan's work is a pioneer one and, despite the few faults pointed out, it bids fair to become a standard introduction to the study of Britain's overseas trade.

BOOKS RECEIVED

Elements of Book-keeping and Business Methods.

By Donald Cousins, B.Com., A.C.A. (English Universities Press. Price 3s. 6d. net.)

Bank and Insurance Shares Year Book, 1938-39.

(Trust of Insurance Shares, Ltd. Price 10s. 6d. net.)

Income Tax Law and Practice, and National Defence Contribution.

By Cecil A. Newport and R. Staples. Eleventh edition by Cecil A. Newport. (Sweet & Maxwell, Ltd. Price 10s. 6d. net.)

Converting a Business into a Private Company.

By Herbert W. Jordan. Twelfth edition. (Jordan and Sons, Ltd. Price 1s. 6d. net.)

Higher Control.

By T.G. Rose. Third edition. (Sir Isaac Pitman & Sons, Ltd. Price 12s. 6d. net.)

French Commercial, Financial and Legal Correspondence.

By J. O. Kettridge, F.S.A.A. (Hachette. Price 5s. net.)

Company Meeting Reports.

Reprinted from the *Daily Telegraph* and *Morning Post*. Vol. IX, January 1st-June 30th, 1938. (Daily Telegraph, Ltd. Price £1 1s. net.)

Local Government Superannuation.

By W. G. Gillings, Barrister-at-Law, and G. H. Forster, A.S.A.A., A.I.M.T.A. (Charles Knight & Co., Ltd. Price 25s. net.)

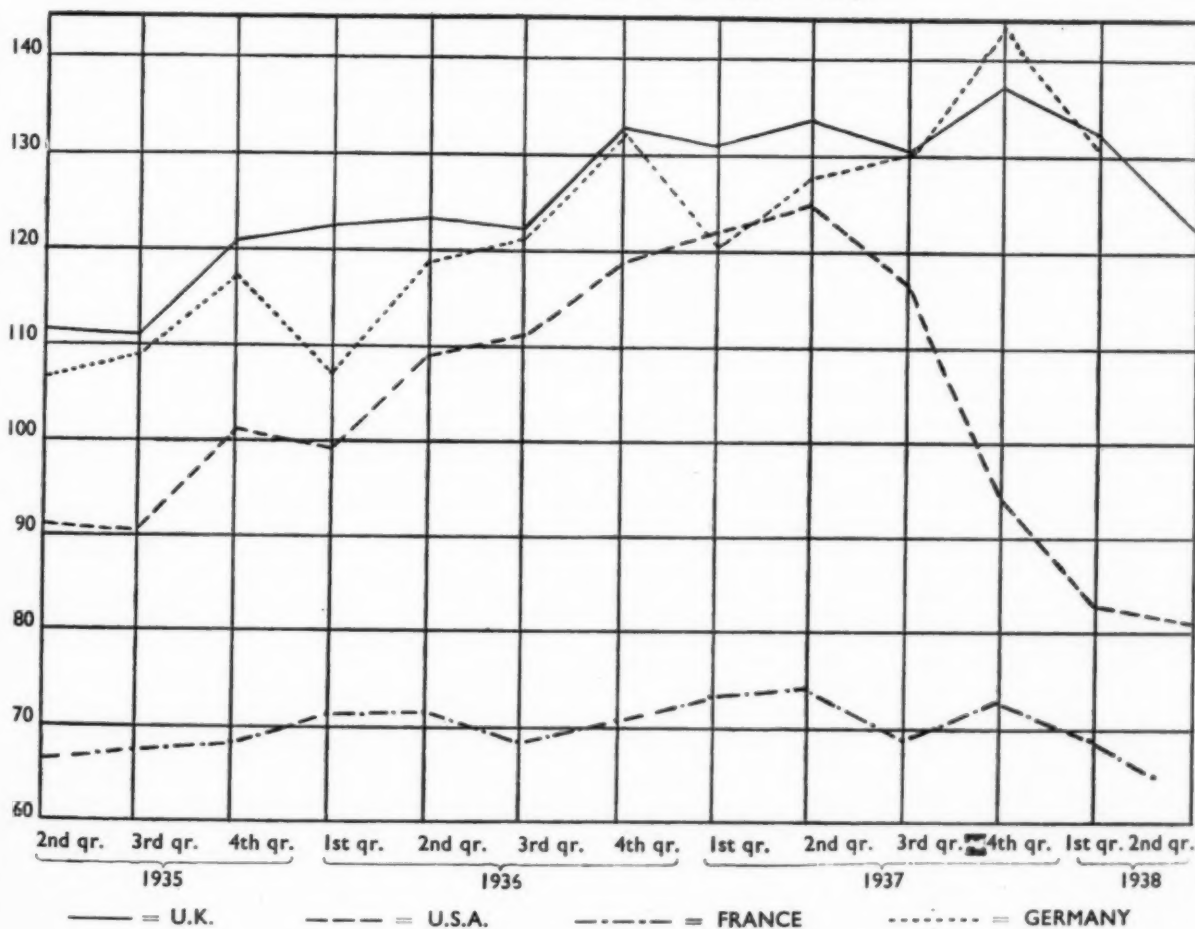
An Executor's Accounts.

By E. Miles Taylor, F.C.A., F.S.A.A., Victor H. M. Bayley, F.C.A., F.S.A.A., and O. Griffiths, M.A., LL.B., Barrister-at-Law. Seventh edition. (Textbooks, Ltd. Price 12s. 6d. net.)

STATISTICS**Current Statistics****OUTPUT AND EMPLOYMENT.—UNITED KINGDOM.***

	Net Output £ millions.			Persons Employed. '000's.			Net Output per Person. £		
	1924	1930	1935	1924	1930	1935	1924	1930	1935
Coal-mining	209.8	138.6	120.9	1,197.2	932.4	762.3	175	149	159
Other Mines and Quarries	16.6	16.6	15.3	83.8	86.4	78.3	198	192	195
Clay and Building Materials... ..	124.2	139.2	140.0	628.0	678.3	680.4	198	205	206
Chemicals	65.8	72.9	87.4	178.1	178.1	191.1	369	409	457
Iron and Steel	98.6	91.7	114.8	489.9	493.6	533.5	198	186	215
Non-ferrous Metals	25.3	23.6	29.3	115.0	109.7	119.3	220	218	246
Engineering, Shipbuilding and Vehicles	198.4	230.0	240.5	985.6	1,074.7	1,061.7	201	214	227
Cotton	83.6	41.9	40.4	527.8	389.4	348.0	159	108	116
Woollen and Worsted	53.2	37.6	43.0	274.4	230.3	241.1	194	163	179
Other Textiles	85.0	68.2	73.0	459.8	442.5	461.1	185	154	158
Clothing	75.7	78.1	77.4	474.0	492.1	515.7	160	159	150
Leather	11.6	10.2	10.3	48.4	46.1	48.3	240	221	213
Food, Drink and Tobacco	172.5	188.0	196.6	440.0	472.4	505.6	392	389	389
Timber	27.3	31.5	32.3	137.6	167.8	167.3	199	188	193
Paper, Printing and Stationery	93.9	103.3	109.7	342.6	380.0	400.7	274	272	274
Miscellaneous	41.5	42.4	42.7	165.7	174.1	178.9	250	247	239
Public Utilities and Government Departments	165.7	189.9	202.3	741.4	793.2	783.4	223	239	258
	1,548.7	1,503.7	1,575.9	7,289.3	7,141.1	7,076.7	212	211	223

*From the London and Cambridge Economic Service Memorandum, No. 75.

INDICES OF PRODUCTION (1930=100).

The National Finances*

By PROFESSOR N. F. HALL, M.A.

I have chosen the general subject of "The National Finances" because at the present time we are carrying out a national stock-taking and are considering our position generally in relation to that of our neighbours. We are measuring our strength and considering whether we can carry on the task of defending our own freedom and liberties and those standards of conduct and behaviour which we value very highly. We realise that we may have to defend the values upon which our civilisation and those of many of the smaller nations depend and we are looking to our resources with a new sense of anxiety. If we are to carry the burdens which have been thrust upon us, the general state of our national finances will be a matter of the utmost importance, and my object is firstly to try and show that it is more difficult than at first sight appears to get a really fair picture of the present national financial position, and, secondly, that when with the information at our disposal we attempt to do so the result is far more comforting than is generally supposed. The general position is certainly very discomfoting. The Budget figures for revenue and expenditure in this year are approximately £950 million, and in addition a further £90 million raised by borrowing is to be spent upon the defence services. In round terms we have a £1,000 million budget. The figures for the public debt, excluding both the debt due to the United States and sums due under War Debt settlements, is in round figures a little over £7,000 million. The percentage of the income of the nation absorbed by the Exchequer is very large and the cost of debt services alone still absorbs a substantial portion of exchequer receipts. There can be no denying that this year we are confronted by a grim budget, and that so long as the present rate of armament expenditure continues we cannot expect relief.

From the point of view of the taxpayer the outlook is and will continue to look very unpleasant, but I want to-day not to consider the personal and industrial burden—but to consider the general financial position of the country and the nation from a somewhat wider point of view because there are elements in the present situation which may relieve the general gloom and which suggest that we have reserves of financial strength upon which we could draw if absolutely necessary and that a wider appreciation of this situation might act as a deterrent to those who are willing at the present time to exploit their international nuisance value and to fish in troubled waters.

In the first place I want to call your attention to the fact that the form in which the National Accounts are presented was determined when the activities of the Government were much less complex in form than they are to-day. Their pattern was set in the days when King and Parliament were struggling for control and when the House of Commons ensured that it should be

summoned each year by voting moneys only for the annual period of accounts and further strengthened this control upon the executive by methods of appropriating in some detail money raised for different purposes. It is interesting to notice in passing that the doctrine of annual and annually balanced budgets emerged not so much from economic and financial considerations as from a desire to control the political influence of the Crown. The form of the Budget became for this reason a brief statement of receipts and expenditure, the nation's cash account showing that only those moneys actually authorised by the State had been raised and also that they had been laid out in the way Parliament had dictated.

But since the great constitutional struggles of the seventeenth century the activities of the Government have become very much complicated in form, and since the beginning of the present century it has been necessary to plan certain items of income and expenditure over much longer periods than one year. But for constitutional reasons the old form of the simple annual cash budget has been retained and these new activities are financed by separate funds which are outside the budget itself. This mechanism does not seem to have been thought out in detail in advance. It was resorted to as a convenient device on a number of different occasions, but the range and size of the funds is now so large that they are factors that should be kept in mind in reviewing the general state of the national finances.

This particular point can probably best be made clear by reference to the National Health Insurance Fund, though the general principle involved applies equally to all funds. The income of this fund is derived partly from the contributions of employers and employees—£28.5 million in 1936—but also partly from the Exchequer itself, which paid a contribution of £7.5 million and which also paid out the interest upon accumulated funds which amounted to a further £6.3 million in 1936. At first sight this looks like a quite straightforward transaction. An insurance fund involves building up a reserve against possible contingencies in the future and that is all that there is to be said about it. But the analogy from private insurance business does not entirely hold good—nor does it give an adequate picture of the situation. In the first place, both the rate of contribution and the Exchequer grant are subject to Parliamentary control, as are also the rates of benefit. The funds are being built up, therefore, not against a contractual liability, as in the case of private insurance, but against a liability which can be controlled in the future if real need arise. At present the expenditure side of the budget is charged, through the item "interest and service on national debt," with a payment which is not exhaustive but is building up a reserve against a future and contingent liability.

In addition to the National Health Insurance Funds there are other funds through which the Government receives back either directly or indirectly a part of the moneys which it pays out from the Consolidated Fund as interest on the National Debt. I cannot deal with all these funds. They are many and the circumstances in each case are sufficiently different to make the calculations difficult to describe briefly. But it appears that in recent years the Government itself has been,

* An address given at the Incorporated Accountants' Course at New College, Oxford, on July 15, 1938.

in a variety of different capacities, the ultimate beneficiary of some of the total sums paid out as interest on the national debt. The money has reappeared as the Exchequer share in the profits of the Post Office and Trustee Savings Bank, from the Issue Department of the Bank of England, and to a limited extent upon the Pensions and Unemployment Insurance Funds. There is also some net return as yet not recoverable upon the securities held in the Exchange Equalisation Account.

But it is not only in respect of the payments through the Budget that we choose to conceal the strength of the financial position of the Government. The published figures of the size of the National Debt also conceal the real position. The ordinary man, when he sees the figures, immediately thinks that they represent a sum of money which the Government must ultimately repay or reborrow and that the securities are held by the public itself which has a sort of lien upon the public purse. In general it is salutary that this should be the case and the size of the gross figure is an admirable deterrent to spendthrift and unwise finance. But against this gross figure must be set assets and also the large amount of securities which have passed since they were issued into the control, direct or indirect, of the Government.

I exclude from consideration a large variety of assets of all sorts and kinds upon which no market evaluation of any kind can be placed—buildings, land, equipment and other earning assets. It is too complex and probably a fruitless task to try and give any sort of figure to represent these. But there are a number of other assets which should be considered, not as a proper set off against the total figure but as indicating the real nature of the "burden" of the debt.

The Government itself publishes annual figures of some of their assets to a total of £610 million, including the market value of the Suez Canal shares, securities tendered for death duties and certain other assets. In addition to these, very large sums of Government securities are held by the Government as reserves against contingencies which may arise in the future. Some of these contingencies are very unlikely to arise and over others the Government has legislative control. In the latter category are the reserves of the Health, Unemployment and Pensions funds, totalling, so far as the securities of the central government are concerned, about £150 million. There are also a large number of other funds of rather the same kind through which provision is made against unlikely contingencies, for unclaimed interest payments and a series of other "funds." A conservative figure for securities held in this way is £25 million.

In certain countries an appearance of financial stability is maintained by the creation of institutions to hold Government paper and by compulsion upon the public to do so. The object is to conceal the increase in the burden of fresh obligations which the Government is undertaking to meet current expenditure. Here the Government is accumulating readily marketable securities in order to meet demands upon it which are highly remote in character. By this method we maintain a free system and can manage in peace time without direct compulsion upon savers and investors and with "deception," if I may use that word, which conceals strength. Let me illustrate. Take the Issue Department of the Bank of England. The Bank of England notes are legal tender. It is in the highest degree unlikely that this country could survive without any legal tender money. It is for all practical purposes

inconceivable that the note issue should contract to so small a figure that the securities would have to be realised. But we make full provision for that contingency and include the securities held in the Issue Department as part of the National Debt. We do not reduce the National Debt figure by the amount of securities held in the Issue Department. But for all practical purposes the £200 million of debt is dead and need not count as in any real sense a burden.

The position of the Exchange Equalisation Account is somewhat more complex, as in examining it we have to deal both with Treasury Bills which are included in the total of the National Debt and also with gold. The Account now publishes its accounts at six-monthly periods, so that by examining these and the Bank of England returns it is possible to make a general estimate of what the position is. In the first place there is a large profit on the gold held in the Issue Department of the Bank of England and under existing legislation these profits will accrue to the Exchequer. At the present time the Bank is obliged by Statute to value its gold at 84s. Its return shows a holding to the value of £325 million. But the market price is, and has been for four years, round about 140s. Revaluing the gold at that price, the result is almost exactly £550 million. So that after a revaluation the Bank shows a profit of £225 million which belongs to the Exchequer. But against this must be set the position of the Equalisation Account which has bought gold in the open market and at market prices during recent years and has resold a part of it to the Bank at 84s. An examination of the weekly figures of the Bank return and the movements of the market price for gold since the Equalisation Account was set up justifies an estimate of £65 million as the probable "loss" on these gold transfers which must be set off against the "profit" in the revaluation of the Bank's gold. This gives a net profit of £160 million upon these transactions.

But the Equalisation Account has not resold to the Bank all the gold which it has purchased in the market. It held itself at March 31st last approximately £300 million of gold. There is no possible means of detecting the prices at which this gold has been bought, but there has probably been at least enough profit in its transactions to cover all administrative expenses and leave a margin over. So I ignore both these gains and also the costs involved. But I am prepared to believe that there have been some net profits here. Summing up the whole gold position, there is a "profit" which can be realised at will and which could be used to reduce debt by almost £160 million. A pleasant little nest-egg which can be used once only, but which gives those responsible for the national finances a nice little cushion upon which they can fall back when they really need to do so. In this respect our position is better than that of all other countries whose gold revaluation profits have mostly been brought into account. The fact that other countries have committed themselves to a new price is a pleasant reinsurance for ourselves as it makes any substantial fall in the price of gold highly unlikely.

There is one further item to which I must refer which also increases the amount of room in which we can manoeuvre. The statutory maximum of the Issue Department of the Bank of England is £260 million and may be increased at the discretion of the Chancellor of the Exchequer, subject to the approval of the House of Commons if the increase persists for a longer period than two years. At the present time, in order to prevent the note issue of the Bank of England and the reserves of the Issue Department becoming unduly

large, the fiduciary issue stands only at £200 million. In case of need, including perhaps the extensive purchase of armaments abroad, the fiduciary issue could be restored as the result of an export of gold with no internal deflation, no change in the note issue, no disturbance of credit conditions by a loan to the Government by the Bank of England. The only change would be the replacement of gold upon which no interest is earned by Government securities upon which interest would be paid. But this interest payment would increase the profits of the Issue Department of the Bank and these could appear as miscellaneous receipts on the revenue side of the Budget. The sum involved is not large, say £60 to £75 million, but again it is a useful cushion for emergencies only.

Summarising the various offsets against the dead weight of national debt outstanding, say in round figures £7,000 million, there come first the assets recognised by the Government Suez Canal Shares, securities tendered in payment of death duties and other assets, to a total of £610 million. There is in addition the profit on gold of £160 million according to my somewhat conservative estimate, or a total of recognisable assets of £770 million of the deadweight debt. Then there are the securities held as reserves by the different Government accounts which represent provision already made in advance against contingencies that may arise and which if they did arise would otherwise have to be met out of taxation, or increased employer-employee contributions or out of a reduction in benefits. These reach a total of approximately £175 million.

So that in effect more than £900 millions of what we record as debt need not exist unless we wish it. We could have made no provision against contingencies on the social funds and used the proceeds devoted to that purpose to reduce debt by sinking funds. We could have taken gold profits and reduced debt and realised other assets. We can still do so if we really need to, and in accordance with Gladstonian principles we should have done so and the total figure of the National Debt would be about £900 million less than the familiar figures to-day.

Then in addition to this £900 million of assets, there are the highly liquid holdings of securities in the Issue Department of the Bank of England, £200 million, and the margin of £60 million by which the fiduciary issue of the Bank of England can be increased if it is really necessary to do so.

I am very anxious that you should not misunderstand me here. I am not saying that we can ignore the obligations represented by these different funds and accounts. My suggestion is that we ought to take this into consideration when we review the difficulties which the Government might encounter if it was obliged to borrow substantially to meet a war or other great national emergency. The presence of these accounts explains, I believe, why the Government has and can borrow for rearmament without any very substantial pressure upon markets. It is able to use the increasing surpluses of these funds to finance a part of the needs of the defence departments. These surpluses could, in the absence of rearmament expenditure, have been used to purchase other Government securities through the stock market. Thus the effect on the markets of the defence borrowing is smaller than it otherwise would have been. There is a reduction in the net purchases of Government securities upon all accounts instead of an increase in the supply of new loans which have to be absorbed. This gives the Government greater freedom in selecting the ways in which it will finance rearmament and ensures that there will be much smaller disturbances in the markets. It is from this greater flexibility that

the Government derives a great deal of its financial strength. In the event of real emergency the Government should find that it has enough resources available to buy a valuable breathing space while finance is mobilised and reorganised upon a new basis. The general situation should reduce the risk of any serious stampede in markets and on the part of investors, and should give a greater continuity to values than would otherwise have been possible.

Speeches at International Congress on Accounting

Responding to the address of welcome given by Dr. Hans Frank, Reich Minister, **Mr. C. J. G. Palmour**, President of the Institute of Chartered Accountants, said:

I deem it a great compliment to the Institute of Chartered Accountants in England and Wales and to myself as President of that body that I have been selected to express on behalf of the foreign delegates their thanks to you, Herr Reich Minister, for having received and addressed us to-day.

Five years have passed since the last International Congress of Accountants was held and I am sure there are many here for whom the recollection of that gathering must evoke the happiest memories, not only of the stimulating fellowship with professional brethren from other lands, but of the many friendships which were then fostered.

Gatherings of this character afford the opportunity, in circumstances of the pleasantest nature, for the interchange of views on the many problems of practice by which the accountancy profession is confronted, and provide a further opportunity of consolidating those friendships; and the programme which has been prepared for the betterment of our minds in conference and the detriment of our health in social pursuits must, I venture to think, assure the happiness and cordiality of our deliberations.

We as a profession are singularly fortunate in that whatever our individual differences of language, whatever our politics, however divergent the laws in our respective countries may be, no force has yet arisen, no power has yet emerged to assail the veracity of the proposition that two and two make four! To that extent at least we meet on common ground.

The development and ramifications of trade and industry, the complexities of modern business life, the burden of taxation in every land, are but some of the factors which present problems of difficulty to our profession. It is well, therefore, that we should foregather to discuss such problems and that we should take counsel together to the end that we may the better be enabled to render efficient service not only to the business community which increasingly seeks our guidance and our advice but, when called upon, to play our part in the wider and more important national and international financial affairs of our respective countries. Your presence to welcome us serves as an incentive to do our utmost not only in finding solutions of our divers professional problems, but in the cementing of the ties of our professional brotherhood and I venture to hope in so doing we may also do what lies in our power to foster that larger brotherhood of which the world to-day stands in such dire need.

It is, I assure you, a source of lively appreciation to us that in the midst of your manifold duties of State, and notwithstanding the many claims upon your time, you have found it possible to come here to-day to welcome this Congress, and on behalf of the foreign delegates here assembled I tender you our sincere and respectful thanks.

Mr. Walter Holman, President of the Society of Incorporated Accountants, speaking on the paper "The Auditing of Annual Accounts," said:—

I desire to express the apologies and regrets of my colleague, Mr. Richard A. Witty, that he is unable himself to attend and speak on this subject, on which he has contributed a national paper.* In that paper he has given a very comprehensive statement of the principles regulating audits in Great Britain and the application of those principles in practice, and it is in regard to the latter point that I wish to say a few words.

In my country the procedure to be adopted by an auditor is less closely defined than it is in some other countries. In the British national paper it is pointed out that an auditor is expected to exercise reasonable care and skill, and several examples are given of the manner in which his skill should be applied and his care and caution shown, but beyond these references the paper deals with audits rather than with auditors, and I think the same remark applies also to the general paper. But audits depend on auditors, and I feel it is desirable to emphasise the qualities essential in an auditor if the audit is to serve the purpose for which it is designed.

An auditor must use discrimination. Except in the very smallest of audits it is a physical impossibility to examine every figure in the books from which accounts are prepared—at least without incurring a cost wholly disproportionate to the size of the concern. The auditor himself must therefore discriminate and decide the direction and extent of his examination, and I need only add that the efficiency of an audit is not by any means to be judged by the quantity of the work done or the time spent. The introduction and development of mechanical means of accounting calls for the exercise of the powers of discrimination in a marked degree.

An auditor must also use imagination. Checking figures for the sake of checking is not only monotonous, it is dangerous. Unless the imaginative and critical faculties are alive and at work the wrong recording of transactions may be unnoticed and passed, and errors of principle may go by default. I need not labour this point because it is obvious—so obvious as to be frequently overlooked.

And a professional auditor must be independent. I think it is the common experience of accountants that difficult problems which arise in practice can seldom be solved by reference to text books. However standard the practice of auditing may be considered to be, it really only amounts to the laying down of principles, and the application must be left to the judgment of the auditor himself. It is of the essence of his position that he must accept personal responsibility for his own decisions, and in this fact I find the explanation for the absence from British law of detailed audit procedure.

* To be given in the Supplement to the November issue of ACCOUNTANCY.—ED.

Mr. E. Cassleton Elliott, Member of the Council of the Society of Incorporated Accountants, spoke as follows upon "Other Auditing and Advisory Work," the subject upon which he had submitted a National paper, given in the Supplement to this issue:—

I have perused with much interest the respective national papers. Despite inevitable differences in the practice in different countries there appears to me to be considerable common ground in professional work, and there is a similar point of view. It is not easy to define this broad area of advisory work because so much of it is of a personal character and depends upon the type of business or company, and the requirements of individual clients.

In their joint paper Dr. de Lange and Dr. Spits refer to the opinion of Professor Limperg in which he refers to the general functions of an accountant's work being derived from his being a trusted person among business men and mentions that his duties are carried out in the light of his long training and wide experience. The necessary character can only be given to the work if the accountant has the entire confidence of his clients and if he is able to act in a professional and independent capacity. Frequently he has to tell his clients things which are not always pleasant, but by his tact and by his character the accountant should impress upon his client the need of taking action in the directions indicated by him.

To carry out the functions described the accountant must either be endowed with a particular legal status, for example, a trustee, or have instructions from the client. Even in those cases where he is a trustee and must, therefore, act according to well-defined legal principles, it is in applying those principles that his experience and professional ability are brought into play.

It is interesting to know that some of the oldest functions attributed to accountants were in the nature of trusteeships, for example, in bankruptcy, but now the scope is on a broader and possibly, one may say, a more constructive basis. The accountant must impress upon himself the need of giving advice of a practical and constructive character. Thus it is that he offers positive services, and not merely a restraining influence, in the conduct of business affairs.

Considerable attention has been given in some of the papers to those functions in relation to the accountant's professional position. I agree there is a wide difference between, on the one hand, a practising accountant who is called in to advise either upon a specific problem or continuously, for example, to a manufacturing company, and on the other hand the whole-time employee of an undertaking who may exercise the functions of a chief accountant or comptroller. The difference is to be found in the independent position of the professional accountant.

Some of the writers have raised the question whether the professional position of the accountant may be prejudiced in some classes of work by reason of the fact that he takes some responsibility for decisions. I do not think this is very serious in practice because the highly trained professional accountant realises by instinct what functions in that capacity he can carry out and those which he must leave to the executive heads of a business or company. Certain it is that

where the accountant holds the appointment of auditor he must be careful not to trespass on any executive functions or to advise on such matters. At the same time the auditors of a company are called in from time to time to advise, and I do not think that, if that advice is given with care and discretion, it is likely to clash with their responsibilities as auditors. At any rate, it is the duty of the auditor to see that his position is not compromised in any way by any advice which he may have been asked to give. There is some difference between the advice which auditors are requested to give and that which a professional accountant would give when he is retained purely in an advisory capacity. In the latter case he has scope within defined or understood conditions.

Again I agree with the trend of some of the other papers that where an accountant advises in regard to organisation or the conduct of a business his duties are rather advisory than executive, the responsibility for acting on that advice being in the hands of those who conduct the business.

Some stress has been laid in one or two papers upon the quasi-legal functions of an accountant. It is true we must have regard to legal provisions and see that our position is regularised by conformity with the law. At the same time the accountant must not take too legalistic a view of his position as this would seriously interfere with the constructive services upon which so much stress has properly been laid.

Mr. Percy Toothill, Vice-President of the Society of Incorporated Accountants, spoke upon "The Auditing of Concerns" and said:—

I have made a few notes on this subject which I propose to deal with under various headings.

To what extent should profits and losses of subsidiaries be disclosed?

In my opinion holding companies should be required to disclose the profits and losses of all subsidiaries and sub-subsidiaries, which would be done by means of a consolidated revenue or profit and loss account, supplemental of course to the holding company's own legal profit and loss account.

Directors' Reports.

These tend to be somewhat "thin" and formal in many cases but there are several notable and satisfactory exceptions, and I do think that fuller reports should be designed to assist shareholders to read the accounts and to inform them of anything which in the opinion of the directors materially affects the company's policy and prospects, so far as such disclosure is not prejudicial to the concern. The number of shareholders of companies is frequently so large that it is quite impossible for all of them to attend the annual general meeting. Thus a practice has grown up of circulating to the shareholders either after or in some cases before the general meeting a copy of the chairman's speech. In this way the information in the report is supplemented and brought up to date.

Should consolidated statements be made obligatory?

Whilst I agree that the preparation of consolidated balance sheets is in quite a number of cases almost impracticable, yet I think it is very desirable that consolidated statements showing the profits and losses should be published: at the same time the directors should be given a reasonable discretion as to the method

of presentation, and obviously much could be done by the directors themselves and by the accountancy profession to ensure that such a discretionary power is not abused. Consolidated Statements and Directors' Reports.

As regards the suggestion that directors not in favour of issuing consolidated statements should provide adequate information by some other method, *e.g.*, the directors' report, my feeling is that the information however compiled should certainly accompany the holding company's legal balance sheet, and bear a statement as to the extent to which it has been verified by the respective auditors of the holding and subsidiary companies. I think also it should be the function of the directors' report to explain the information which accompanies it.

Objection that in certain cases it is not practicable to produce a statement which would be intelligible and helpful to shareholders.

I am of the opinion that complex accounts should not be prepared and submitted which are likely to mislead shareholders, but should be simplified so far as it is possible to do so in all the circumstances. On the other hand one must not necessarily always draft accounts for the shareholder least able to understand them. There are people who, being well qualified so to do, make it their business to explain and comment upon accounts to others: I refer of course to commentators in the modern financial press.

Treatment of Subsidiary Companies' profits and losses.

I think it is generally agreed that as regards the holding company's own account, it is desirable to provide for losses in full and only to bring in profits declared by way of dividend up to the date of audit. The supplemental information relating to the whole concern should of course deal with the actual profits and losses of the year.

Mr. A. Stuart Allen, Member of the Council of the Society of Incorporated Accountants, speaking at the close of the discussion upon his General paper on "Auditing by and for Tax Authorities" (given in the Supplement to this issue), said:—

We are greatly indebted to the participants in the discussion for their most interesting contributions and for throwing further light on the ever-pressing and harassing problem of allowances in respect of plant and machinery for taxation purposes.

The rapid development of invention, which is cumulative in its effect, involves a constant revision of the always indefinite dividing line between mere tools and machinery and plant as such. The machines of yesterday have become the tools of to-day, really ceasing to be fixed and permanent assets and having an uncertain and brief life, mainly due to obsolescence.

In a perfect world governments would be concerned to set an example to their citizens by maintaining their fiscal machinery in the most modern and efficient condition. In particular, by granting especially generous allowances in respect of plant and machinery, they would actually endeavour to point the path which industrialists should follow in maintaining and replacing plant and machinery.

Unfortunately, no national paper has been received from Utopia so we must wait until a later Congress for enlightenment as to the practical working of the perfect system.

Society of Incorporated Accountants

Revision of Examination Syllabus

We give below details of the revision in the Examination Syllabus of the Society of Incorporated Accountants, as decided upon by the Board of Examiners.

Final Examination.

Commencing with the May, 1940, Examinations, the Final Examination will be held for a period of four days instead of three days, as in previous examinations, and will extend over twenty-one hours instead of seventeen and a half hours. The main Accounting papers will be issued under the general title, "Advanced Accounting and Auditing," Papers I, II and III. The setting of a separate paper under the title of "Cost Accounts" will be terminated, this subject being embraced in the main Accounting papers.

A separate two-hour paper will be set on Taxation under the title of "Taxation of Income and Profits."

The division and titles of the legal papers will be amended. There will be three papers entitled "Company Law and Partnership Law," "Commercial Law and the Law of Arbitration," and "Law Relating to Executorship and Insolvency," instead of the three papers which were previously included in the Examination.

There will be no change in regard to the papers on Statistical Methods and Economics.

The papers will be as follows:—

	Hours.
Advanced Accounting and Auditing. I. ...	3
II. ...	3
III. ...	3
Taxation of Income and Profits ...	2
General Financial and Commercial Knowledge	1½
Company Law and Partnership Law ...	2
Commercial Law and the Law of Arbitration	1½
Law relating to Executorship and Insolvency	1½
Statistical Methods ...	1½
Economics ...	2
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Intermediate Examination

The Intermediate Examination will be held for a period of two days as hitherto.

The Accounting papers will be issued under the general title, "Accounting, Auditing and Taxation," Papers I, II and III. The setting of a separate paper on Cost Accounts will be discontinued, and this subject will be included in the main accounting papers.

A paper will be issued under the title, "Commercial Law and Company Law," in place of the old

paper on "Commercial Law: the Powers and Duties of Liquidators, Trustees, Executors and Receivers."

A paper entitled "General Commercial Knowledge" will be set as hitherto.

The papers will be as follows:—

	Hours.
Accounting, Auditing and Taxation. I. ...	3
II. ...	3
III. ...	2
Commercial Law and Company Law ...	2
General Commercial Knowledge ...	2
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DETAILED SYLLABUS, FINAL, INTERMEDIATE AND PRELIMINARY.

FINAL EXAMINATION.

Monday, Tuesday, Wednesday and Thursday.
Order of Subjects.

Monday.

Hours.	Morning.	
2	10.30 to 12.30	I. Taxation of Income and Profits.
	Afternoon.	
3	2.30 to 5.30	II. Advanced Accounting and Auditing (first paper).

Tuesday.

	Morning.	
3	10.0 to 1.0	III. Advanced Accounting and Auditing (second paper)
	Afternoon.	
2	2.30 to 4.30	IV. Economics.

Wednesday.

	Morning.	
3	10.0 to 1.0	V. Advanced Accounting and Auditing (third paper).
	Afternoon.	
1½	2.30 to 4.0	VI. Statistical Methods.
1½	4.0 to 5.30	VII. General Financial and Commercial Knowledge.

Thursday.

	Morning.	
2	10.0 to 12.0	VIII. Company Law and Partnership Law.
	Afternoon.	
1½	2.0 to 3.30	IX. Law relating to Executorship and Insolvency.
1½	3.30 to 5.0	X. Commercial Law and the Law of Arbitration.

Scope of Final Examination.

ADVANCED ACCOUNTING AND AUDITING.

(Three papers of three hours each.)

Systems of Accounting; Balance Sheets, Manufacturing, Trading and Profit and Loss Accounts; Revenue and Income and Expenditure Accounts;

Departmental Accounts ; Executorship and Trust Accounts, including Death Duties ; Partnership Accounts ; Accounts relating to Insolvency, Liquidation and Receivership ; Costing Methods and Cost Accounts ; Machine Accounting ; Accounts of Private and Public Joint Stock Companies ; Holding Companies ; Amalgamations and Reconstructions ; Goodwill ; Reserves, Depreciation and Obsolescence ; Sinking Funds ; Accounts of Local Authorities, Statutory Companies, Friendly Societies, Industrial and Provident Societies, Building Societies and Charities ; Treatment of Foreign Currencies in Accounts ; Investigations and Reports ; The Duties and Responsibilities of Auditors ; The Principles and Practice of Auditing ; Internal Audits ; Auditors' Reports on Accounts ; Bases of Valuation of Assets ; Allocations between Capital and Revenue ; Prevention and Detection of Fraud.

TAXATION OF INCOME AND PROFITS.

(One paper of two hours.)

The Law and Practice of Income Tax and Sur-Tax and National Defence Contribution ; Computations, Assessments and Practical Problems ; Appeals ; Claims for Repayment ; Methods of Administration ; Dominion and Foreign Income Tax in Relation to British Income Tax.

STATISTICAL METHODS.

(One paper of one and a half hours.)

Definition and purposes of statistics, nature and classes of data, principles of classification ; methods of tabulation ; statistical groups ; definition and uses of statistical averages ; index numbers ; dispersion and skewness ; methods of sampling ; statistical error ; accuracy and approximation, presentation of data in comparative form to exhibit trend ; growth and relationship ; diagrams and curves ; elementary theory of correlation ; applied statistics for public purposes (population, prices, wages, employment and trade) and for commercial purposes (production, turnover, profits and finance).

ECONOMICS.

(One paper of two hours.)

Nature and significance of economic science ; meanings of economic terms ; nature of wealth and capital ; distribution of the factors of production ; the time structure of production ; industrial fluctuations and crises, competition and monopoly, regulation of production ; population and productivity ; effects of inventions and scientific developments.

Production and distribution in an exchange economy ; simple and multiple exchange ; theories of value ; the marginal principle and the law of substitution.

Theories of wages, rent, profits and interest.

Money and banking ; nature and functions of money ; the value of monetary units ; currency and credit systems ; the banking system and the money market ; functions of central banks ; effects of rising and falling prices.

Theory of international trade ; tariffs, the effects of different currencies and banking systems on the foreign exchanges ; foreign exchanges and the balance of payments.

The legal framework of modern economic activity ; the economic functions and activities of States ; the principles of taxation.

GENERAL FINANCIAL AND COMMERCIAL KNOWLEDGE.

(One paper of one and a half hours.)

Banking and the Money Market ; Stock Exchanges ; Investments ; Company Finance and Capital Structure ; Insurance Practice ; Shipping Practice ; International Trade ; Foreign Exchange ; Government and Municipal Finance ; Public Utility Undertakings, Industrial and Provident Societies and Building Societies.

LAW.

One paper of 1½ hours on the Law relating to Executorship and Insolvency (embracing Bankruptcy and Deeds of Arrangement).

One paper of 1½ hours on Commercial Law and the Law of Arbitrations, embracing Contracts, Agency, Bills of Exchange, Cheques and other Negotiable Instruments, Insurance, Shipping, Suretyship and Guarantee, Arbitration and Awards.

One paper of 2 hours on Company law (including Liquidation and Receivership) and Partnership Law.

(This syllabus indicates the general scope of the Examination.)

INTERMEDIATE EXAMINATION.

Wednesday and Thursday.

Order of Subjects.

Wednesday.

Hours	Morning.	
3	10.0 to 1.0	I. Accounting, Auditing and Taxation (first paper).
	Afternoon.	
3	2.30 to 5.30	II. Accounting, Auditing and Taxation (second paper).

Thursday.

Hours	Morning.	
2	10.0 to 12.0	III. Accounting, Auditing and Taxation (third paper).
	Afternoon.	
2	1.30 to 3.30	IV. General Commercial Knowledge.
2	3.30 to 5.30	V. Commercial Law and Company Law.

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Scope of Intermediate Examination.**ACCOUNTING, AUDITING AND TAXATION.**

(Two papers of three hours each and one paper of two hours.)

The principles and practice of Double Entry Book-keeping; the preparation of Accounts and Balance Sheets, including *inter alia* Accounts of Companies, Joint Ventures and Consignment Accounts; Partnership Accounts, Accounts in relation to Liquidation, Bankruptcy and Deeds of Arrangement; Accounts in relation to Executorship and Intestacy including Death Duties; Preparation of Accounts from incomplete records; Income Tax, Surtax and National Defence Contribution Computations and Practice; General Principles of Auditing, including Audit Programmes, Internal Audit, Verification of Assets and Liabilities, the Technique of Auditing, Test Checks; Cost Accounts.

GENERAL COMMERCIAL KNOWLEDGE.

(One paper of two hours.)

Commercial terms and expressions in general use; Classes of Companies; Classes of Stocks and Shares and Debentures; Different kinds of Securities; Cheques and Bills of Exchange; The Structure of the Money Market; the elements of Trade Finance (home and foreign); Elementary Insurance, Shipping and Stock Exchange practice.

COMMERCIAL LAW AND COMPANY LAW.

(One paper of two hours.)

Commercial Law including the law relating to Contracts, the Sale of Goods, Partnership, Cheques and Negotiable Instruments. Company Law including Formation, Officers and their duties, Accounts and Dividends, Meetings, Liquidation, Receivership.

(This syllabus indicates the general scope of the Examination.)

PRELIMINARY EXAMINATION.

Monday and Tuesday.

Order of Subjects.

Monday.

Hours	Morning	
2	10.30 to 12.30	I. English History and Geography.
	Afternoon.	
2	1.30 to 3.30	II. Essay and General English.
2	3.30 to 5.30	III. Modern Language or Latin.
		Tuesday.
3	10.0 to 1.0	IV. Algebra and Geometry.
	Afternoon.	
2	2.30 to 4.30	V. Arithmetic.

Scope of Preliminary Examination.**ENGLISH HISTORY AND GEOGRAPHY.**

(One paper of two hours.)

(a) HISTORY.—The questions will be framed to test general knowledge of history and historical development rather than memory of detail. The general course of English History from 1066 to 1901, with some references to the contemporary history of Europe and Colonial developments. The paper will be divided into four sections, covering respectively the periods 1066-1485, 1485-1688, 1688-1815, 1783-1901, but candidates will be required to answer questions from *two only* of the four periods.

(b) GEOGRAPHY.—The examination will be based upon a broad study of the General Geography of the World and of its larger natural regions.

The following regions should be studied in decreasing detail: (a) British Isles; (b) British Empire; (c) Europe; (d) North and South America, Africa, Asia.

The geography of the several regions should be treated along the following lines: The influence of configuration, climate, soil and position of regions upon the distribution of occupations, populations and trade routes. The analysis of the positions of the great towns. Candidates will be tested not only upon the principal geographical facts involved, but also upon their power to relate these facts to the various physical features of the regions studied. Very simple sketch maps should be practised, and introduced, where necessary, into answers.

ESSAY AND GENERAL ENGLISH.

(One paper of two hours.)

(a) AN ESSAY.—The Essay is intended primarily as a test of ability to express and arrange ideas. A choice of subjects will be allowed in order to give candidates the opportunity of writing freely.

(b) GENERAL ENGLISH.—

(i) A précis of a prose passage, including a précis in reported speech, or a paraphrase.

(ii) The writing of a letter; the subject matter will be given in the question, and candidates will be required to put this into appropriate letter form.

(iii) Questions on words and sentences to test the candidate's knowledge of functional English

Grammar. Detailed parsing and tabular analysis will not be required.

- (iv) Questions on the meaning and correct use of words.

ONE FOREIGN LANGUAGE.

(One paper of two hours.)

†One paper on French, German, Spanish* or Latin (to be selected by the candidate).

- (a) Translation into English: Two short passages of prose.
- (b) Translation into the languages concerned: An easy passage of English prose; short sentences specially chosen to test knowledge of accidence and syntax.
- (c) Free composition based on a skeleton outline (150 to 200 words).

* Candidates wishing to be examined in Spanish should give six weeks' notice to the Secretary.

† Candidates in Eire may take Irish as an alternative language.

MATHEMATICS.

ALGEBRA AND GEOMETRY.

(One paper of three hours)

ALGEBRA.—The fundamental processes of Algebra. Symbolic expression of general results in Arithmetic. Interpretation and evaluation of Formulae. Factors of expressions of simple types. Equations of the first and second degree, and two simultaneous equations, of which one is of the first degree and the other of the second degree. Graphs of simple algebraic functions with easy applications. Simple questions on fractional and negative indices (formal proofs not being required). Use of logarithms to the base 10.

GEOMETRY.—The subjects of Euclid I-IV, with simple deductions, including easy loci and the areas of triangles and parallelograms, of which the bases and altitudes are given commensurable lengths. Euclid's proofs will not be insisted upon, but all proofs of geometrical theorems must be geometrical. The use of properties of similar figures will be allowed.

ARITHMETIC.

(One paper of two hours.)

Elementary principles and processes of Arithmetic. Vulgar and decimal fractions, English and Metric Systems of measurement of length, area, volume, capacity, weight. Averages, Ratio, Proportion, Percentages, Simple Interest, Compound Interest, Discount, Stocks and Shares, Practical Applications of Arithmetic, including simple Exchange Calculations. (Logarithm Tables, which will be supplied at the Examination, may be used.)

SCOTTISH BRANCH NOTES

Reduced Railway Valuations.

This is the year of the new quinquennial valuation of public undertakings. The official who deals with this was formerly known as the Assessor of Railways and Canals, but is now described as the Assessor of Public Undertakings in Scotland. In practically every instance the valuation for assessment purposes of railways in Scotland is lower than last year, thereby entailing a loss of revenue to the Local Authorities.

Public undertakings are valued for assessment purposes on a profits basis, and the reason for this reduction appears to be partly arising out of the English Southern Railway case a year or two ago, and the reduction in the revenue of Railways in Scotland. These two factors, which come into effect this year, seem to be chiefly responsible for the reduction in the assessment value of Railways in Scotland.

Municipal Accounts.

The accounts of most Scottish Burghs are now in print. In some cases they are accompanied by reports by the Town Chamberlain, which bring the results into a more accessible form for the general ratepayer, and particularly those who take an interest in the election of Town Councillors.

So far as we know, Kilmarnock is the only burgh which incorporates illustrations in its financial reports. The outside cover shows a picture of the monument to the poet Robert Burns at Kilmarnock. In the body of the accounts are illustrations of two public parks, an aerial view of one of the hospitals, and photographs of the Provost and magistrates. There is also a map of the Ayrshire coast showing the position of Kilmarnock, and the Clyde from the Island of Bute and Ailsa Craig. There is much to commend these and other innovations in the make-up of the Kilmarnock report, which also includes an advertisement of one of the best known engineering firms in Kilmarnock. The Town Chamberlain is Mr. James A. Scott, F.S.A.A.

National Charges on Local Rates.

In submitting the budgets to Town Councils many of the Treasurers this year have pointed out that the rises in local rates are due to the effect of new legislation which places the burden on local authorities. In putting forward a plea that local authorities should combine to resist strenuously the inequitable tendency of legislation in placing the financial burden of national schemes on local rates, Sir Henry Keith, at the meeting of the Lanark County Council, said that it did not appear to be generally appreciated that local authorities were all but impotent to stay the progress of local expenditure. To a great extent these authorities had to carry out dictates of Parliament which in recent years had shown an increasing tendency to impose on local authorities new services and extensions of existing services.

DISTRICT SOCIETIES

LONDON.

Date.	Meeting.	Lecturer.
LONDON.		
1938		
Oct. 21	Dinner to The Right Hon. Lord Stamp, G.C.B., G.B.E., at 7.15 for 7.45 p.m.	
Nov. 9	Discussion: The Scope of Mechanised Accounting	
Nov. 22	Lecture: Liquidations, with Particular Reference to Compulsory Liquidations. (By invitation of the London Students' Society. At 6.15 p.m.)	J. Barwick Thompson, O.B.E., Senior Official Receiver.
Dec. 2	Reception and Dance at 8.30 p.m.	
1939		
Feb. 21	Discussion: Audit Problems arising from Mechanised Accounting	
Mar. 21	Lecture: Factors in Efficiency in Industry and Commerce	Professor N. F. Hall, M.A., Director of the National Institute of Economic and Social Research

Meetings are held at 6 p.m. at Incorporated Accountants' Hall, Victoria Embankment, W.C.2.

LONDON AND DISTRICT STUDENTS' SOCIETY.

Date.	Meeting.	Lecturer.
LONDON.		
1938		
Oct. 4	Students' Evening: Three Short Papers: Hospital Accounts The Conduct of a Share Transfer Audit Practical Points on Schedule A Assessments	J. E. Sparrow J. R. Messenger J. M. Keyworth
Oct. 11	Lecture: Negotiable Instruments	Sebag Shaw, Barrister-at-Law
Oct. 18	Students' Discussion: Examination Questions	Opened by W. J. Back, F.S.A.A.
Nov. 8	Lecture: An Introduction to Public Speaking for Students	Richard A. Witty, F.S.A.A.
Nov. 15	Lecture: Finance Act, 1938—Changes dealing with Legal Avoidance	G. G. Honeyman, Barrister-at-Law
Nov. 22	Lecture: Liquidations—with Particular Reference to Compulsory Liquidations	J. Barwick Thompson, O.B.E., Senior Official Receiver

Meetings will be held at 6.15 p.m. at Incorporated Accountants' Hall, Victoria Embankment, W.C.2.

BRADFORD.

Date.	Meeting.	Lecturer.
BRADFORD.		
1938		
Oct. 7	Inaugural Meeting—Whist and Bridge Drive at Betty's Café, Darley Street, Bradford, at 7.30 p.m. Ladies invited	
Oct. 20	Accounting Machines—Their Records and Audit	W. J. Back, F.S.A.A.

Nov. 4	Lecture: The Rationalisation of Industry Informal Dinner at Great Northern Victoria Hotel, Bradford, at 6.15 p.m.	Professor John Hilton, M.A.
Dec. 15	Lecture: The Construction of Speeches, Reports and Business Letters (Joint Meeting with Bradford and District Chartered Accountants' Students' Association)	Arthur Duxbury
1939		
Jan. 19	Lecture: The New Law of Contracts	E. Westby - Nunn, B.A., LL.B.
Feb. 9	Lecture: Internal Organisation of an Accountant's Office	C. M. Dolby, F.S.A.A.
Mar. 1	Lecture: Accounting Machines (with demonstration) (Joint Meeting with the Bradford and District Chartered Accountants' Students' Association)	A Representative of Powers Samas Accounting Machines, Ltd.

Meetings will be held at 7.30 p.m. at the Liberal Club, Bank Street, Bradford, unless otherwise indicated.

Date.	Meeting.	Lecturer.
KEIGHLEY.		

1938.

Nov. 24	Lecture: The Valuation of Goodwill	I. Davies, A.S.A.A.
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1939

Feb. 17	Eleventh Annual Supper Dance to be held at the Municipal Hall, Keighley	
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The Lecture will be held at 7.30 p.m., Crescent Cafe, Lawkholme Crescent, Keighley.

DEVON AND CORNWALL.

Date.	Meeting.	Lecturer.
PLYMOUTH.		
1938		
Oct. 4	Lecture: The Functions of the Stock Exchange	J. L. P. Weeks (Member, Provincial Brokers' Stock Exchange)
Nov. 8	Lecture: Executorship Law	F. A. Roberts, A.S.A.A.
Dec. 6	Lecture: Social Economics	W. J. Back, F.S.A.A.
1939		
Jan. 31	Lecture: N.D.C. and Income Tax	H. A. R. J. Wilson, F.S.A.A., F.C.A.
Feb. 7	Lecture: Case VI Schedule D	S. A. Dunn, H.M. Inspector of Taxes
Mar. 7	Lecture: The Banker and the Accountant	W. A. Blackwell, Manager, Barclay's Bank Ltd.

Plymouth Meetings are held at 6.30 p.m. at Goodbody's Cafe, Bedford Street.

Date.	Meeting.	Lecturer.
EXETER.		
1939		
Feb. 1	Lecture: N.D.C. and Income Tax	H. A. R. J. Wilson, F.S.A.A., F.C.A.
Mar. 8	Lecture: Claims and Reliefs	W. A. B. Carter, H.M. Inspector of Taxes.

Exeter Meetings are held at 6.30 p.m. at 17, Bedford Circus.

LIVERPOOL.

Date.	Meeting.	Lecturer.
	LIVERPOOL.	
Oct. 11	Lecture : Death Duties for Examination Candidates	E. Westby - Nunn, B.A., LL.B.
Oct. 31	Lecture : On Giving Evidence Dinner at Constitutional Club	F. A. Sellers, K.C.
Nov. 16	Lecture : Public Issues	W. J. Back, F.S.A.A. (Member of Research Committee of Parent Society)
Nov. 19	*Dance at India Buildings Hall	
Nov. 29	Lecture : Figuratively Speaking—A New View-point Dinner at Constitutional Club	T. Haworth, F.S.A.A. (Chief Accountant to Port of London Authority)
Dec. 7	Lecture : Costing	W. W. Bigg, F.C.A., F.S.A.A.
Dec. 14	†Lecture : Empire Trade (Joint Meeting with Liverpool Branch, Chartered Institute of Secretaries)	Sir Harry A. F. Lindsay, K.C.I.E., C.B.E.
1939		
Jan. 5	Lecture : Bankruptcy Procedure	James Allcorn, Official Receiver
Jan. 17	Lecture : The Economics of Trade Recession Dinner at Exchange Club	R. E. Bird, B.Sc.
Feb. 1	Visit to Messrs. Vernon's Offices	
Feb. 9	‡Lecture : The Interlock between Financial and Cost Accounts (Joint Meeting with the Institute of Cost and Works Accountants)	Percy Phillips, F.C.W.A.
Feb. 22	Lecture : At Random Dinner at Exchange Club	E. Baldry, F.S.A.A.
Mar. 1	Lecture : Income Tax : Allowable Expenses	E. E. Edwards, M.A., LL.B., Barrister-at-Law
Mar. 28	Discussion : Defalcations I Have Met	C. Tunnington, F.S.A.A.

Date.

Meeting.

Lecturer.

1938

Oct. 6	Lecture : Company Law and Practice	F. A. Roberts, A.S.A.A.
Nov. 22	*Lecture : Municipal Audits (Joint Meeting with N. Wales Section, Institute of Municipal Treasurers)	G. Higenbottam

1939

Jan. 25	Lecture : The Duties of an Executor	G. Cameron Ollason, F.C.A.
Mar. 7	Lecture : Auditing as Affected by Machine Accounting	W. McMath, A.S.A.A.

Liverpool Meetings are held at 6.15 p.m. in the Liverpool Incorporated Accountants' Hall, 25, Fenwick Street, Derby Square.

Chester Meetings are held at 6.45 p.m. at the Queen Hotel.

* Students' Section.

† Meeting to be held in the Council Chamber of the Liverpool Chamber of Commerce.

‡ Meeting to be held at 7.30 p.m. at India Buildings Hall.

NORTH LANCASHIRE.

Date.	Meeting.	Lecturer.
	PRESTON.	
1938		
Oct. 12	Lecture : The Cases on Liability of Auditors	E. Westby Nunn, B.A., LL.B.
Dec. 8	Lecture : Costing	W. W. Bigg, F.C.A., F.S.A.A.
1939		
Jan. 16	Lecture : The Economics of Trade Recessions	R. E. Bird, B.Sc.
Mar. 15	Lecture : Law of Contract	C. A. Sales, LL.B., F.S.A.A.
	BLACKPOOL.	
1938		
Nov. 17	Lecture : Public Issues of Capital	W. J. Back, F.S.A.A.
	BLACKBURN.	
1939		
Feb. 15	Lecture : National Defence Contribution	H. A. R. J. Wilson, F.C.A., F.S.A.A.
	<i>Preston Meetings are held at 7.30 p.m. at the Preston and County Catholic Club, Winckley Square, Preston.</i>	
	<i>Blackpool Meetings are held at 7.30 p.m. at Jenkinson's Cafe, Talbot Square.</i>	
	<i>Blackburn Meetings are held at 7.30 p.m. at the Offices of Messrs. Porter, Matthews & Marsden, 43, Preston New Road, Blackburn.</i>	

NORTH STAFFORDSHIRE.

Date.	Meeting.	Lecturer.
	HANLEY.	
1938		
Oct. 28	Lecture : Trusts, Trustees and Trust Accounts	E. Westby - Nunn, B.A., LL.B.
Nov. 15	Lecture : Partnership Accounts	W. J. Back, F.S.A.A.
Dec. 2	Lecture : Income Tax and N.D.C.	H. A. R. J. Wilson, F.C.A., F.S.S.A.
1939		
Jan. 27	Open Meeting	
Feb. 24	Lecture : Process Costing as applied to the Clay Industries	Alexander Scott, M.A., D.Sc.
Mar. 8	Lecture : An Economic Diagnosis	Leo T. Little, B.Sc. (Econ.).
	<i>Meetings will be held at 6.30 p.m. at the Town Hall, Hanley.</i>	

NOTTINGHAM, DERBY AND LINCOLN.

Date.	Meeting.	Lecturer.
	NOTTINGHAM.	
1938		
Oct. 7	Lecture : Economics	Arthur Radford, B.Sc. (Econ.).
Oct. 20	Lecture : Costing	W. W. Bigg, F.C.A., F.S.A.A.
Nov. 11	Lecture : Valuation of Businesses for Amalgamation and other Purposes	A. E. Langton, LL.B., A.C.A., A.S.A.A.
Nov. 18	Lecture : Procedure in Voluntary Winding-up	S. Shaw, LL.B., Barrister-at-Law
Dec. 7	Lecture : Bills of Exchange	W. A. Boot, Solicitor
1939		
Jan. 19	Lecture : Company Flotations	H. A. R. J. Wilson, F.C.A., F.S.A.A.
Feb. 3	Lecture : The Calling and Conduct of Company Meetings and Recent Important Case Law Decisions	E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.

- Feb. 17 Lecture : Statistics Arthur Radford, B.Sc. (Econ.).
- Mar. 20 Lecture : Practical Income Tax C. F. Carlisle, A.S.A.A.
- Meetings will be held at 6.30 p.m. at the Reform Club, Victoria Street, Nottingham.*

SHEFFIELD.

- | Date. | Meeting. | Lecturer. |
|---------|---|---|
| 1938 | | |
| Oct. 4 | Visit to British Thomson Houston, Ltd., Lam Factory, Chesterfield | |
| Oct. 28 | Lecture : British Monetary Policy | Dr. Brinley Thomas, M.A., Ph.D. |
| Nov. 15 | Lecture : The Hire Purchase Act, 1938 | E. Westby-Nunn, B.A., LL.B. |
| Nov. 16 | Lecture : Mercantile Law | E. Westby - Nunn, B.A., LL.B. |
| Dec. 12 | Lecture : The American Experiment | Dr. W. H. Coates, LL.B., B.Sc. (Econ.), Ph.D. |
| Dec. 14 | Lecture : Mercantile Law | E. Westby - Nunn, B.A., LL.B. |
| Dec. 16 | Students' Annual Dance | |
| 1939 | | |
| Jan. 18 | Lecture : Mercantile Law | E. Westby - Nunn, B.A., LL.B. |
| Jan. 25 | Lecture : Europe To-day and To-morrow | Bernard Newman |
| Feb. 24 | Lecture : National Defence Contribution | W. S. Carrington, F.C.A. |
| Mar. 8 | Lecture : Disclosures in Published Accounts | Hargreaves Parkinson |
| Mar. 15 | Lecture : Deeds of Arrangement | C. M. Dolby, F.S.A.A. |
- Meetings will be held at 6.30 p.m. at the Central Library, Sheffield.*

DONCASTER.

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| 1938 | | |
| Oct. 19 | Lecture : Accounting Machines, their Records and Audit | W. J. Back, F.S.A.A. |
| 1939 | | |
| Feb. 8 | Lecture : Cost Accounts | W. W. Bigg, F.C.A., F.S.A.A. |

YORKSHIRE.

- | Date. | Meeting. | Lecturer. |
|---------|---|---|
| 1938 | | |
| Oct. 4 | *Lecture : Hire Purchase Legislation | His Honour Judge Frankland |
| Oct. 25 | †Lecture : Mechanical Accounting | W. J. Back, F.S.A.A. |
| Nov. 8 | †Lecture : National Defence Contribution | Victor Walton, F.C.A. |
| Nov. 15 | Lecture : Tabulating Machines | |
| Nov. 22 | Lecture : Estate Duty | Dr. A. V. Tranter, Ph.D., B.Sc. (Econ.), F.T.I.I. |
| Dec. 6 | ‡Lecture : Man for Man | Professor John Hilton |
| Dec. 16 | Annual Official Dinner at Queen's Hotel | |
| 1939 | | |
| Jan. 17 | Lecture : Important Recent Cases on Company Law | E. Westby-Nunn, B.A., LL.B. |
| Jan. 19 | Dinner-Dance at the Queen's Hotel | |

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| Jan. 31 | Lecture : Deductions in Arriving at Assessable Profits for Income Tax | T. Dunsmore, H.M. Senior Inspector of Taxes, Leeds |
| Feb. 7 | Lecture : Cost Accounts | W. W. Bigg, F.S.A.A., F.C.A. |
| Feb. 21 | †Lecture : Price Control and Currency Policy | Professor A. N. Shimmin |
| Mar. 7 | †Lecture : Deeds of Arrangement | C. M. Dolby, F.S.A.A. |
| Mar. 21 | Lecture : Insolvency Procedure | David Morgan, A.S.A.A. |
- Meetings are held at 6.30 p.m. at Greek Street Chambers, Leeds, 1, unless otherwise indicated.*
- * Great Northern Hotel, Leeds.
- † Hotel Metropole, Leeds.
- ‡ Leeds City Museum (Philosophical Hall) Park Row, Leeds.

HUDDERSFIELD.

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|---------|--|--------------------------------------|
| 1938 | | |
| Oct. 18 | Lecture : Sur-Tax as affecting Limited Companies | H. A. R. J. Wilson, F.C.A., F.S.A.A. |
| 1939 | | |
| Feb. 14 | Lecture : Some Notes on the Finance Act, 1938 | Wilfred Dargue, A.C.A. F.T.I.I. |
- These meetings will be held at 6.30 p.m. at George Hotel, Huddersfield.*

The syllabuses of other District Societies for the forthcoming session will be published in subsequent issues of ACCOUNTANCY.

MEMBERSHIP

The following additions to the Membership of the Society have been completed since our last issue :—

ASSOCIATES

Clough, Thomas Maxwell, Comptroller's Department, Metropolitan Water Board, London ; **Damania**, Ranchhoddas Varjivandas, B.Com., formerly with K. S. Aiyar & Co., Bombay ; **Goodall**, Leonard Sydney, Treasurer and Accountant, Urban District Council, Fareham ; **Gurney**, Harold Frank, Comptroller's Department, Metropolitan Water Board, London ; **Lambert**, George Frederick John, with Peat, Marwick, Mitchell & Co., London ; **Milner**, Alfred, with A. Macdonald & Co., Hull ; **Oldroyd**, Ronald, with Morgan & Gallant, Leeds ; **Pitman**, Henry Frederick, with Lewis Vizard & Son, Cheltenham ; **Stevens**, Wallace Lloyd, with Spain Brothers, Johns & Co., Portsmouth ; **Thomas**, Ivor, with Ernest G. White, Carmarthen ; **Todd**, Edwin Desmond Bunting, City Treasurer's Department, Rochester ; **Young**, Samuel Arthur John, with Vincent & Goodrich, London.

PERSONAL NOTES

The Right Hon. Lord Stamp, G.C.B., G.B.E., an honorary member of the Society of Incorporated Accountants, will be the chief guest at a dinner to be given by the London and District Society at Incorporated Accountants' Hall on October 21 at 7.15 p.m. The dinner is being given in recognition of the honour recently conferred upon Lord Stamp by His Majesty the King. Mr. E. Cassleton Elliott, the Chairman of the London and District Society, will preside.

Mr. W. J. O'Brien, J.P., O.B.E., a Fellow of the Society resident in Pietermaritzburg, is in England on a visit. Mr. O'Brien was until recently a Member of Parliament for Pietermaritzburg in the Union Parliament.

Mr. Richard A. Witty, Member of the Council of the Society of Incorporated Accountants, attended the Seventh International Management Congress held at Washington, D.C., United States, from September 19 to September 23. Mr. Witty was the official delegate of the Society. Some 2,000 people from twenty-five countries participated in the Congress and there were 100 visitors from this country.

Mr. John Davies, F.S.A.A., of Wrexham, has been elected Mayor of Wrexham for the ensuing 12 months. Mr. Davies practises in Wrexham.

It would be interesting to know whether the service in accountancy of Mr. J. F. Crowder, of Macclesfield, constitutes a record. It seems that it would be hard to beat the period of 58 years for which he has been engaged in accountancy. Mr. Crowder has been a member of the Society of Incorporated Accountants for 43 years.

Mr. E. A. Anderson has been elected President of the Incorporated Accountants' Belfast and District Society in succession to Mr. J. H. Allen, who unfortunately was forced to resign from the Presidency for reasons of health.

The headquarters of the Incorporated Accountants' District Society of Sheffield and the offices of Mr. J. W. Richardson, Honorary Secretary, are now Fargate House, Sheffield, 1. The building, which was formerly known as Independent Buildings, has been reconstructed.

Mr. F. C. R. Moule, Incorporated Accountant, has commenced public practice at Tavistock Chambers, Beastmarket Hill, Birmingham.

CHANGES

Mr. D. G. Joshi, Incorporated Accountant, announces that in future he will practise under the style of Messrs. D. G. Joshi & Co., and not under the former firm name of M. K. Dandeker & Co. The firm of M. K. Dandeker & Co. has been taken over by Mr. G. M. Dandeker, Incorporated Accountant, who will practise at 16, Moor Street, Second Line Beach, Madras.

Messrs. Leith, Freake & Cade, Incorporated Accountants, 75, Maitland Street, Bloemfontein, also at Johannesburg, announce that the partnership has been dissolved. Mr. R. Cade and Mr. E. C. Cade will practise at Johannesburg under the style of Robert Cade & Co. Mr. A. S. Leith and Mr. G. H. Surtees will continue to practise at Bloemfontein under the style of Leith, Freake & Cade.

Messrs. Rowley, Gill, Hobbs & Glen, of 153-155, Featherston Street, Wellington, New Zealand, have assumed as partners Mr. P. C. Anderson and Mr. G. H. Lloyd Davies, Incorporated Accountant. The style of the firm will remain unchanged.

REMOVALS

Messrs. D. Basu & Co. have removed their offices to 10, Old Post Office Street, Calcutta.

Mr. E. C. Milner, Incorporated Accountant, has moved his offices to Portland Chambers, 14, Portland Place, Halifax.

Messrs. Cunningham, Priestley & Co., Incorporated Accountants, have removed their offices to Moorhead Buildings, Cambridge Street, Sheffield, 1.

A University in the Home

One of the less well-known activities of the University of London, whose new headquarters in Bloomsbury now provide so imposing a landmark, is the guidance and tuition of students resident in the provinces and abroad.

The Department which undertakes this work is the Commerce Degree Bureau, founded some 15 years ago through the generosity of a group of commercial and industrial concerns.

The tuition given is solely for the London Commerce Degree examinations, though the External Registrar of the University is prepared to advise External students in any faculty as to the best method of preparing by private study for a University degree.

The Bureau, however, goes further, and actually provides correspondence study courses, which are taken each year by an increasing number of young men and women drawn from all parts of the world. The Bureau's students are for the most part actively employed in commerce and the professions.

The tutors who prepare and mark the work done by these students are the professors, lecturers and tutors who guide the studies of the full-time Internal students in commerce, and the courses of study which are provided are carefully modelled upon the best lines of University teaching practice.

One interesting fact is that though the course of study is precisely the same as that taken by the Internal student, and the University examinations similar (the Final examination is identical), the External student who studies in his spare time under the guidance of the Bureau usually does quite as well as his full-time rival, and in many cases does appreciably better. Bureau students have taken the highest honours and qualified for the award of the very valuable post-graduate travelling scholarships which are awarded on the result of the final examination.

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